

Russian Markets - Daily

January 27, 2011

RUB appreciates	USD/RUB	29.71	▼
CBR decision is on the way	EUR/RUB	40.58	▼
Liquidity is slightly lower	RUB basket	34.60	▼

Hot News

- President Medvedev expressed his concern over capital outflows from Russia. According to him, in the long term it is no less serious issue than other short term negative developments in the economy, which Russia is able to overcome quite smoothly. Improving the investment attractiveness of Russia is key, says Medvedev, revealing that he discussed with the Head of Ministry of Economy how to improve laws in order to optimize the investment climate
- Medvedev said that all government's social commitments are executed, and "nobody has the right to through a stone to government" for that. He pointed out one of the favourable developments - that unemployment in Russia is back to pre-crisis levels, and looks better on comparable terms with other European countries
- Growth in Sberbank's, Russia's largest state bank's, loan portfolio to private clients, is set to grow 20% this year, said Natalya Karasyeva, director of the bank's credit department
- IMF increased the Russia's growth forecast for 2012 from 4.3% to 4.5%, leaving the 4.4% for the next year unchanged

Money Market

Liquidity is decreasing but the level is sufficient to support interest rates at relative low levels in spite of anticipation of Central Bank interest rate hike. Total amount of liquidity in Russian banking system decreased by RUB 50 bn. RUB liquidity at Central Bank's accounts and deposits totals RUB1258 bn. Interbank interest rates stays near depo rate. Central Bank will likely increase reference rate on the next meeting (January 31st). High inflation is the main reason for more strict monetary policy.

Currency market

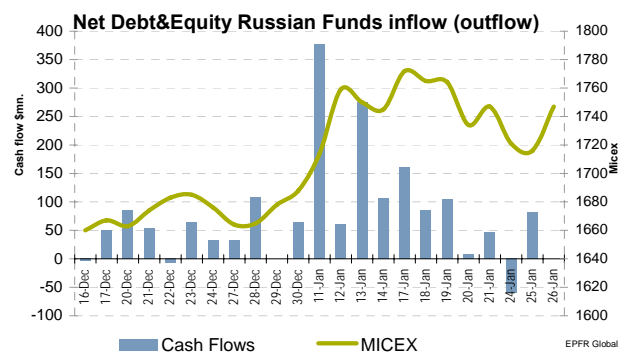
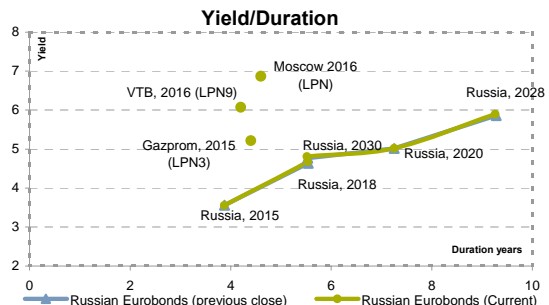
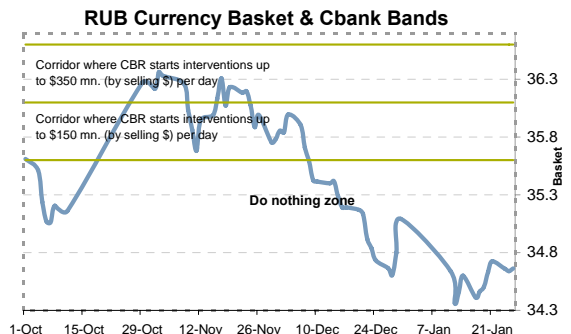
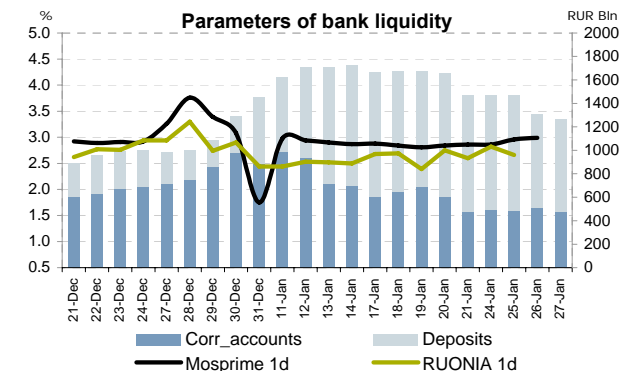
The RUB basket was flat yesterday. Today rouble trades higher versus USD and EUR. Market participants expect Central Bank's interest rate hike, which helps RUB. The oil prices rebounded from yesterday's lows after FED comments and on weak US dollar. Brent closed at 97.8. Locals continue to sell USD to get RUB liquidity for tax payments, which is also RUB supportive. But from the other side RUB basket may enter the levels where Central Bank begin to sell RUB. All the factors mentioned above bring the basket to equilibrium.

Debt and Equity Markets

Russian stock market rebounded yesterday after several sessions of drawdown. Positive commodity market's dynamics, good corporate news and growth of main Russian blue chips ignite purchases on the stock market. Major indices increased by 2%. Today market opened higher as US market and Brent prices trade near local peaks.

The Russian domestic bond market closed lower – state, municipal and corporate bond price indexes had a negative change. The interest rate curve of Russian domestic Treasuries continues to stay at the previous level mostly with a small volatility. Russia's Finance Ministry managed to sell only a quarter of the 30 billion roubles (\$1 billion) of OFZ treasury bonds. Expectations of interest rate hikes dented demand. Prices of Russian dollar denominated state Eurobonds were lower also: Russia, 2030 at 4.81% (Z-spread is 181 bp to the UST curve) and Russia, 2015 at 3.56%.

Forwards	1m.	2m.	3m.	4m.
USD/RUB	29.72	29.89	30.22	31.01
EUR/RUB	40.76	40.96	41.35	42.27
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.50	0.00	5.54	3.23
MIBOR 1m (%)	4.10	-0.01	7.05	3.81
RUONIA 1d (%)	2.82	0.22		
Implied NDF yield 6m%	4.26	0.05	5.68	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	137	0.00	218	123
Eurobond Russia 30Y	4.82	0.00	5.95	3.91
EMBI +	551.57	-2.02	582.02	489.19
Stock Indexes	Close	%Change		
RTSI	1 894.92	1.70		
Micex	1 746.55	1.77		
S&P 500	1 296.63	0.42		
DJIA	11 985.44	0.07		
Brent	97.82	2.22		



Nordea Markets is the name of the Markets departments of Nordea Bank Norge ASA, Nordea Bank AB (publ), Nordea Bank Finland Plc and Nordea Bank Danmark A/S. The information provided herein is intended for background information only and for the sole use of the intended recipient. The views and other information provided herein are the current views of Nordea Markets as of the date of this document and are subject to change without notice. This notice is not an exhaustive description of the described product or the risks related to it, and it should not be relied on as such, nor is it a substitute for the judgement of the recipient.

The information provided herein is not intended to constitute and does not constitute investment advice nor is the information intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has no regard to the specific investment objectives, the financial situation or particular needs of any particular recipient. Relevant and specific professional advice should always be obtained before making any investment or credit decision. It is important to note that past performance is not indicative of future results. Nordea Markets is not and does not purport to be an adviser as to legal, taxation, accounting or regulatory matters in any jurisdiction.

This document may not be reproduced, distributed or published for any purpose without the prior written consent from Nordea Markets.