

Russian Markets - Daily

February 11, 2011

Ruble is near highs	USD/RUB	29.30	▼
Money Market is flat	EUR/RUB	39.78	▼
Liquidity is near maximums	RUB basket	39.78	▼

Hot News

- CBR chief Ignatyev reiterated the expectation that inflation will not exceed 7% this year. The acceleration of inflation in January he called "situational". Meanwhile, the Ministry of Economy came out with an estimate of 1.3% m/m inflation expected in February, which is above the 0.8% monthly inflation in February last year.
- The trade balance improved to USD 15.44bn, which was above expectations (consensus: USD 12.5bn). Improvement came on the back of improving oil export value, coming at USD 42.3bn in December
- CBR FX reserves rose by USD 2.3bn in the week from January 29 to February 4, reaching USD 487bn, showed the CBR data.
- The January budget balance came out at a surplus of 3.6% (vs. the 3.9% deficit in December).
- The government intends to soften the regime of access for foreign goods in public procurement for the needs of national defence, so that the foreign manufacturers as of July 1st will be able to participate in tenders for the supply of goods for the needs of national defence, if the goods are not manufactured in Russia.

Money Market

Liquidity is more than enough. RUB liquidity at Central Bank's accounts and deposits totals RUB1552 bn. (-26 bn.). Overnight interest rates are without changes. Market is trying to catch the mood of Central Bank which can raise interest rates in the foreseeable future. Ministry of Finance gave some signals that it does not expect interest rates hike during next month. But relative high inflation may force CBR to apply more strict policy. So the key focus now is inflation in February.

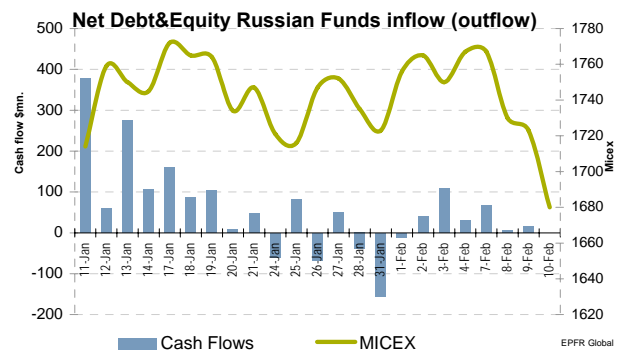
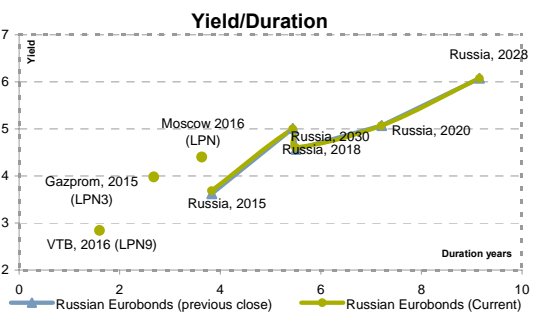
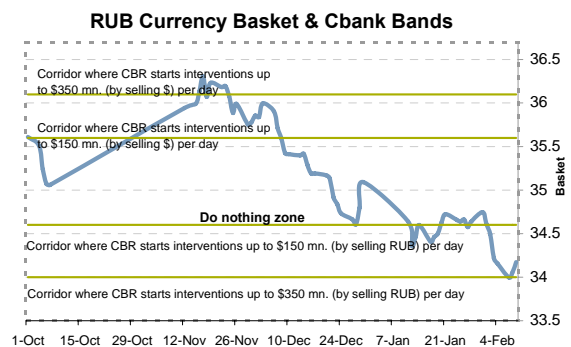
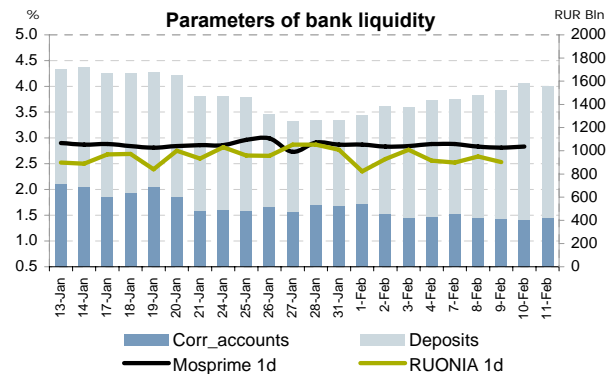
Currency market

The RUB basket managed to slightly improve its position compared to the day before, closing at 34.11, ie by 6 kopeck less than the day before. The basket traded in the range between 34.15-34.20 during the day, but dropped to 34.04 - 34.10 in the last hours of the session, helped by oil price increases and lower EUR/USD. USD/RUB gained 2.5 kopeck, while EUR/RUB dropped by 19.55 kopeck compared to the day before. Locals were active selling the hard currency in the market yesterday and activity will likely increase as the end-of-month tax period approaches. Today's opening was strong, with the basket reaching out at 34.00 again. The overall market sentiment is mixed, as equities retreated due to renewed tension in Egypt after President Mubarak decided not to step down yesterday. On the other hand, oil prices are higher again for exactly the same reason, which is RUB supportive, as spot Brent oil prices have topped USD 100/bbl again since leaving these levels on February 3rd. At least from the recent evidence the turmoil in Egypt does not hurt RUB, as the currency reacts more to higher oil rather than lower equity markets. EUR/USD is also seen lower, which will help the RUB basket, driven by the EUR leg. 34.00 still remains a strong support level for the basket in the short term. Today market started session exactly at that important level.

Debt and Equity Markets

Russian stock market showed sharp decline (-3%) on renewed tension in Egypt after President Mubarak decided not to step down yesterday. Technical factors still play against Russian market. But according to statistics we do not see cash outflow from Russian funds. High oil prices are the main argument. Debt MKT: Activity rose as market perception of interest rates hike expectations has changed. However yield curves are stable.

Forwards	1m.	2m.	3m.	6m.
USD/RUB	29.391	29.55	29.842	30.565
EUR/RUB	39.861	40.0375	40.37	41.198
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3.5	0	5.24	3.23
MIBOR 1m (%)	4.08	0	6.1	3.81
RUONIA 1d (%)	2.53	-0.11		
Implied NDF yield 6m%	3.855	-0.025	5.45	3.17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	144	4	218	123
Eurobond Russia 30Y	4.96	0.004	5.953	3.914
EMBI +	552.31	5.66	582.02	493.07
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1846.92	-2.81	1935.15	1226.57
Micex	1676.77	-2.70	1771.66	1197.39
S&P 500	1321.87	0.07	1324.57	1022.58
DJIA	12229.29	-0.09	12239.89	9686.48
Brent	101.34	-0.66	103.18	67.20



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.