

Nordea

Russian Markets - Daily

May 13, 2011

RUB renewed min vs. USD	USD/RUB	27.82	▲
Liquidity decreased slightly	EUR/RUB	39.71	▼
Rates are unchanged	RUB basket	33.19	▼

Hot News

- Consumer price index rose 0,1% in the week to May 10, which was lower than the 0,2% the week before. Thus the CPI has already risen 4,4% this year. /Rosstat
- The Ministry of Economic Development forecasts that inflation in Russia in May will accelerate to 0.5% compared to 0.4% in April. Yet the annual inflation forecast for the current year is unchanged at 6,5-7,5%, said the Minister of Economic Development Nabiullina. She also expressed support for the the Central Bank of Russia's attempt to reduce inflation, agreeing that this goal is a priority in comparison with the struggle with the strengthening of the ruble. /Vedomosti
- Russia may extend higher duties on exports of gasoline (increased to 90% of the duty on crude oil on May 1), said Ministry of Economic Development. The higher tax may be extended to June. /RIA
- Russia's gold and foreign exchange reserves rose to a new post-crisis high of \$524.7 billion in the week to May 6 from \$523.9 billion a week earlier, central bank data showed on Thursday.

Money Market

Liquidity at Central Bank's correspondent accounts and deposits insignificantly decreased by RUB 17bn. and reached RUB 1162 bn. Interbank interest rates were consolidating near adequate levels. Overnight interbank rates show enviable stability. Overnight rates are near Central Bank's depo rate.

We expect some liquidity difficulties in the end of the month when tax payments and expectation of Central Bank monetary tightening can disturb Money Market. We do not expect key interest rates hike in May, but Central Bank can increase reserve requirements. RUB IRS are increasing, indicating strong demand for interest rate hedge.

Currency market

RUB retreated against the basket yesterday, closing at 33.29, ie by 21 kopeck higher than the day before. USD/RUB rose by 37 kopeck, while EUR/RUB rose by 1 kopeck. Still, the RUB held surprisingly strong despite the negative risk sentiment yesterday and yet another crash on domestic equity markets. Today the markets seem more optimistic. USD index retreated over the night. Brent oil prices, which fell to USD 110/bbl mark yesterday, later recovered and rose to USD 114/bbl here in the morning after the positively surprising news on German GDP growth. The equity markets are also neutral-to positive, as the US equities finished in pluses yesterday (S&P +0.49%), and some Asian indices ex. Japan also traded in the green over the night. Domestic equities opened higher today. Thus, RUB might start to recoup losses today. The RUB basket opened 10 kopeck lower and may go even further. Given the RUB basket held so strong with so negative risk appetite in the markets, it may run a rally once the "risk on" is back in the global markets, and it is likely that the CBR will choose to widen the RUB band from 5 to 6 RUB instead of trying to prevent RUB from strengthening. The comment of Ministry of Economic Development yesterday on that inflation should be prioritized over RUB is also RUB-positive.

Debt and Equity Markets

Russian stock market approached local minimums yesterday as oil prices showed serious fall during the session. However today's opening was positive as commodity market regained. Debt market declined yesterday on global concern and local RUB weakness. But today we expect flat-to positive dynamics. Russia's central bank sold 5.7 billion rubles (\$190.6 million) of new OBR bills, out of 750 billion rubles on offer on Thursday at an average yield of 3.6 percent. The central bank said it was not offering markets, as it would like to increase the use of its deposit operations and finally increase the impact of its interest rate policy.

Forwards	1m.	3m.	6m.	
USD/RUB	28,071	28,243	28,522	
EUR/RUB	39,82	39,987	40,257	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3,85	0,01	4,26	3,23
MIBOR 1m (%)	4,18	0,04	4,95	3,81
RUONIA 1d (%)	3,36	0,02		
Implied NDF yield 6m%	4,125	0,08	4,58	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	132	3	218	119
Eurobond Russia 30Y	4,546	0,046	5,879	3,914
EMBI +	567,82	0,23	582,02	501,48
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1864,95	-2,28	2123,56	1226,57
Micex	1630,78	-1,45	1859,99	1197,39
S&P 500	1348,65	0,49	1363,61	1022,58
DJIA	12695,92	0,52	12810,54	9686,48
Brent	113,06	-0,69	129,43	67,20



