

Nordea

Russian Markets - Daily

May 24, 2011

RUB retreated vs. basket	USD/RUB	28.41	▲
Liquidity was unchanged	EUR/RUB	39.99	▲
Rates are trying to stabilize	RUB basket	33.62	▲

Hot News

- Russian Internet company Yandex NV raised 19 percent more than expected on Monday in the sector's biggest U.S. initial public offering since Google Inc. Russia's most popular search engine raised \$1.3 billion. Yandex and its shareholders sold 52.2 million shares for \$25 each, a source briefed on the deal told Reuters. They had originally planned to sell the shares at \$20 to \$22 each, but another source close to the issue told Reuters on Monday that Yandex would likely sell shares at \$24 to \$25 each.
- Russia may lift its export ban on grain after July 1, Interfax reported on Monday, citing a government source. "A concrete decision has not been taken yet, but there is a 90 percent chance that the decision will be made to cancel the export embargo in the beginning of July," he said. Earlier this month prices of fourth-grade milling wheat, Russia's main export cereal, rose as traders expected an early lifting of the ban that was imposed on grain exports from Aug. 15 of last year following the country's most severe drought in more than a century.
- The board of TNK-BP Holding, the traded entity of the Russian oil company half owned by BP, recommended paying 183.67 billion roubles (\$6.52 billion) in 2010 dividends, the company said on Monday. It said that the dividends will be used by Novy Investments for TNK-BP's capital investments in Russia as well as for settlements between the group's entities. The rest will go to minority shareholders.

Money Market

Liquidity roughly saying stayed the same. Liquidity at Central Bank's correspondent accounts and deposits increased by RUB 25bn. and reached RUB 995 bn. This is still quite low level and coming tax payments will continue to press on liquidity. In the end of the April interbank interest rates rose sharply when liquidity approached 800 bn. We don't expect the same liquidity squeeze in the end of this month. However central bank is trying to offset tax payments and other pressing factors by conducting depo auctions. Today CBR offer RUB 70 bn. Next CBR meeting will be in the beginning of the next week. This time Central Bank can leave interest rates unchanged but this wont mean the end of monetary tightening period. Inflation threat is still the major problem.

Currency market

RUB basket retreated versus currency basket and lost 26 kopeck on Monday. Global market sentiment was negative yesterday and risk aversion put the pressure on RUB. However tax paying period activates demand for RUB which along with liquidity problems can absorb excess RUB supply. Today's basket opening was lower, rub started to rebound as commodity prices also are trying to stabilize. The front month Brent oil retreated yesterday but shows positive dynamics today.

Debt and Equity Markets

Russian stock market renewed local minimums. Capital outflow continue to press on the market. However Micex index stands near long-term supporting lines at 1550 which can support market. Debt market trades at local bottom due to low liquidity and anticipation of monetary policy tightening.

Forwards	1m.	3m.	6m.	
USD/RUB	28,571	28,75	29,051	
EUR/RUB	40,156	40,344	40,644	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	3,99	0	4,26	3,23
MIBOR 1m (%)	4,2	0	4,83	3,81
RUONIA 1d (%)	3,71	0,24		
Implied NDF yield 6m%	4,42	0,13	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	140	7	218	119
Eurobond Russia 30Y	4,656	0,105	5,879	3,914
EMBI +	569,9	-0,98	582,02	501,48
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1765,04	-3,30	2123,56	1226,57
Micex	1573,14	-1,92	1859,99	1197,39
S&P 500	1317,37	-1,19	1363,61	1022,58
DJIA	12381,26	-1,05	12810,54	9686,48
Brent	110,77	-0,31	129,43	67,20



