

Nordea

Russian Markets - Daily

May 25, 2011

RUB retreated vs. USD	USD/RUB	28.51	▲
Liquidity is under tax pressure	EUR/RUB	40.01	▲
Rates can be higher	RUB basket	33.69	▲

Hot News

- Foreign direct investment into Russia was \$3.9 billion in the first three months of this year, a rise of 48.3 percent compared to the same period a year ago, the Federal Statistics Service said on Tuesday.
- Russian internet search firm Yandex's initial public offering was oversubscribed by 17 times, a source said, as analysts predicted big price gains when its stock starts trading on the U.S. Nasdaq exchange on Tuesday. Yandex's \$1.3 billion offering, the biggest U.S. internet listing since Google Inc went public in 2004
- Russia's Sberbank said on Tuesday it filed an application to transfer 25 percent of its shares into depositary receipts on London and Frankfurt exchanges. The application to Russia's financial watchdog affects 5.4 billion of the lender's ordinary shares. Sberbank's chief financial officer Anton Karamzin told Reuters that one depositary receipt will include rights for 4 ordinary shares. Sberbank plans to finish a depositary receipts programme by the end of June.
- Russian President Dmitry Medvedev's order for the government to work out how to cut the social security tax is difficult and will take time to carry out. He has promised such an announcement will happen in the "near future."
- Political uncertainty ahead of Russia's 2012 presidential election is partly to blame for tens of billions of dollars in capital flight, President Dmitry Medvedev's chief economic adviser said on Tuesday. Medvedev and Prime Minister Vladimir Putin have both repeatedly refused to say which of them will run.

Money Market

Liquidity basically was unchanged yesterday. Central Bank's correspondent accounts and deposits insignificantly decreased by RUB 36bn. and reached RUB 958 bn. This is still quite low level and coming tax payments will continue to press on liquidity. Next payments will be today (~RUB100 bn.). We do not expect the reiteration of the April liquidity squeeze in the end of the May. Liquidity can approach 800 bn. and interbank interest rates can rise. 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. By the way tomorrow market will be focused on weekly inflation stats.

Currency market

RUB rebounded yesterday due to high demand in anticipation of tax payments. Exporters buy RUB and sell USD in order to pay taxes (next big taxes will be today). Stabilized oil prices also supported RUB yesterday. However negative financial market sentiment put a pressure on RUB as well on the other EM currencies on today's opening and basket started session higher. USD won back yesterday loses and trades at 28.51 against RUB. EUR have been trading on the same levels since the end of last week (~40 vs. RUB).

We expect that tax payments and relative low liquidity will lure back the demand for RUB which will help Russian currency to resist external factors.

Debt and Equity Markets

Russian stock market rebounded yesterday and Micex index rose by almost 2%. The pace of capital outflow makes some investors nervous. However market can be supported by technical factors. Micex index trades near the long-term supporting line at 1550.

Debt market trades at local bottom due to insufficient liquidity and local RUB weakness. Regarding government bonds as was announced yesterday, Russia will offer no premium for shorter-term OFZ treasury bonds at an auction on Wednesday, but pledged a premium for longer-term OFZs, in line with its intentions to lengthen durations of its debt portfolio.

Forwards	1m.	3m.	6m.	
USD/RUB	28,507	28,678	28,973	
EUR/RUB	39,999	40,176	40,486	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,01	0,02	4,26	3,23
MIBOR 1m (%)	4,23	0,03	4,83	3,81
RUONIA 1d (%)	3,52	-0,19		
Implied NDF yield 6m%	4,23	-0,19	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	137	-3	218	119
Eurobond Russia 30Y	4,598	-0,058	5,879	3,914
EMBI +	569,94	0,04	582,02	501,48
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1800,04	1,98	2123,56	1226,57
Micex	1598,82	1,63	1859,99	1197,39
S&P 500	1316,28	-0,08	1363,61	1022,58
DJIA	12356,21	-0,20	12810,54	9686,48
Brent	111,74	0,88	129,43	67,20



