

Nordea

Russian Markets - Daily

May 26, 2011

RUB regains recent losses	USD/RUB	28.24	▼
Liquidity is under the pressure	EUR/RUB	40.01	
Rates are increasing	RUB basket	33.51	▼

Hot News

- Russian Central Bank Governor Sergei Ignatyev said on Thursday that combating inflation was main task of the regulator. His comments reiterate the central bank's gradual switch to using interest rates rather than controlling the rouble's exchange rate as its main monetary policy tool.
- Ignatyev also said that the central bank has no plans to change its 2011 inflation forecast. The central bank sees inflation at 6-7 percent in 2011.
- BP's Russian oil venture, TNK-BP, is ready to spend \$1 billion to buy a 45 percent stake in a Brazil's gas field developed by the start-up state-run oil company HRT Participacoes, the daily Kommersant reports.
- Consumer prices have been rising 0.1 percent for three consecutive weeks and since the start of the year prices have increased 4.6 percent, Federal Statistics Service's data showed. While the figure stands higher than the 3.8 percent in the same period of last year, the latest numbers suggest that inflation this month may come below the 0.5 percent seen in May of 2010.
- Prime Minister Vladimir Putin pledged to set up an agency to support medium-sized businesses on Wednesday. But he dismissed a suggestion that it could rival Medvedev's Skolkovo project to foster high-technology businesses.
- Russian oil refining runs fell 1.2 percent on a daily basis in April versus March due to heavy maintenance at several key plants, but were up by 3.6 percent compared to April 2010, Energy Ministry data showed.

Money Market

Liquidity decreased sharply due to tax payments. Central Bank's correspondent accounts and deposits insignificantly decreased by RUB 138bn. and reached RUB 820 bn. This is the lowest level since the beginning of the year. Tax payments and new reserve requirements put a huge pressure on liquidity in the banking system. As we have announced the reiteration of the April liquidity squeeze is coming. Interbank interest rates can continue to increase.

Next CBR meeting will be on May 30 (or 31). Central Bank will probably leave interest rates unchanged this time. Consumer prices have been rising 0.1 percent for three consecutive weeks and since the start of the year prices have increased 4.6 percent. The latest numbers suggest that inflation this month may be below the forecasted 0.5%. Liquidity squeeze can also keep CBR from interest rate hike this month.

Currency market

RUB was relative stable yesterday due to negative market sentiment and risk aversion was offset by low liquidity and exporter's RUB purchases in anticipation of tax payments. Today's opening was quite positive for RUB due to risk aversion factor vanished but other factors stayed the same. Currency basket lost 21 kopecks today, RUB won back 21 kopecks versus USD and 5 kopecks versus EUR. Extremely low liquidity spurs the demand for RUB which supports Russian currency.

Debt and Equity Markets

Russian stock market rebounded yesterday and Micex index rose by 1%. Today's opening was positive. However the pace of capital outflow can be a problem for the market in the foreseeable future and we expect flat dynamics.

Russia attracted strong demand at an auction of 5-year OFZ treasury bonds where it offered a premium to the secondary market, but failed to place all of the 3-year OFZ top-up issue where it allowed no premium.

Forwards	1m.	3m.	6m.	
USD/RUB	28,44	28,609	28,904	
EUR/RUB	40,221	40,396	40,701	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,01	0	4,26	3,23
MIBOR 1m (%)	4,25	0,02	4,83	3,81
RUONIA 1d (%)	3,49	-0,03		
Implied NDF yield 6m%	4,195	-0,035	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	139	2	218	119
Eurobond Russia 30Y	4,596	-0,002	5,739	3,914
EMBI +	568,91	-1,03	582,02	501,48
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1808,13	0,45	2123,56	1288,72
Micex	1614,86	1,00	1859,99	1254,65
S&P 500	1320,47	0,32	1363,61	1022,58
DJIA	12394,66	0,31	12810,54	9686,48
Brent	115,00	2,92	129,43	67,20



