

Nordea

Russian Markets - Daily

June 01, 2011

RUB remained unchanged	USD/RUB	27.96	▼
Liquidity began to restore	EUR/RUB	40.37	▲
Money market rates decreased	RUB basket	33.55	▲

Hot News

- Inflation will not exceed 5.2% in H1, said the CBR Deputy Governor Ulyukayev. He said the CBR stick to their target of 6-7% and added that monthly inflation in Q3 would not be higher than 0.3-0.4%. Ulyukayev also hinted that the CBR may pause the tightening cycle in the coming months. /Reuters
- Net capital outflows slowed down in May, according to Ulyukayev. He noted that the outflows should stop completely in the coming months. /Reuters
- Privatization of the 7.6% share in Sberbank may be completed by September, said Ulyukayev. He noted that the share will be likely sold on the market. The CBR has already sent proposals to 16 banks and will pick 4-5 to organize the deal. /Prime-Tass
- The grain harvest is expected to reach 85 million tons this season, according to Deputy PM Zubkov, which is significantly higher than the last year's drought-hit harvest of 61 million tons. /Vedomosti
- Government intends to carry out another round of public wage indexation in autumn, said PM Putin. In the first indexation round as of June 1 public wages will grow 6.5%. /Interfax

Money Market

Liquidity has begun to restore, interbank rates went down. Central Bank's correspondent accounts and deposits reached RUB 806 bn. (+677 bn.). The last tax payments were paid on Monday and in the beginning of June we expect liquidity will continue to improve. Central bank also helped money market by conducting depo auctions. Finally liquidity situation stabilized and we expect that overnight rates will approach Central Bank «brand new» depo rate (3.5%) in coming few weeks.

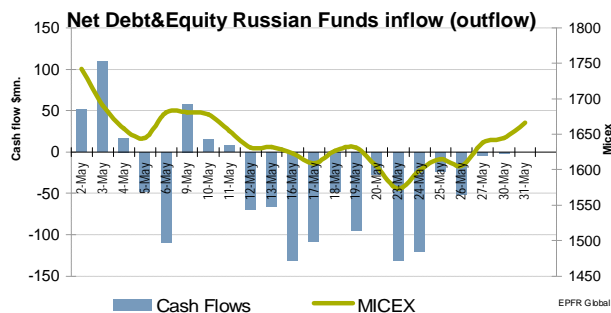
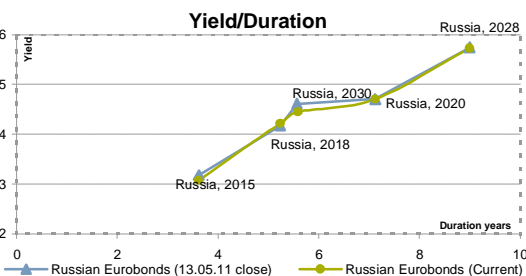
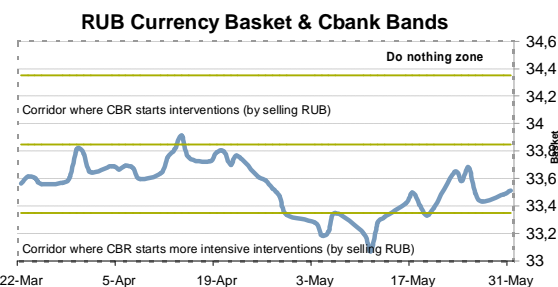
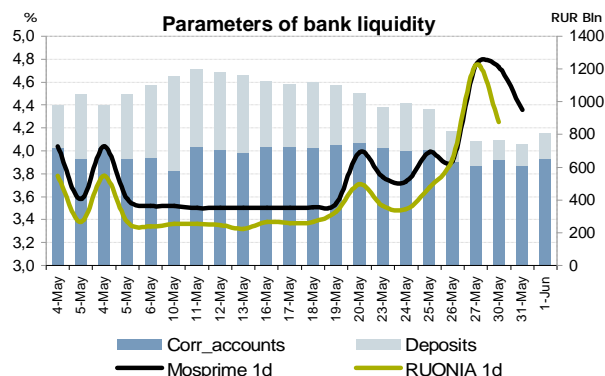
Currency market

The RUB basket remained nearly unchanged during the daily session yesterday, closing 6 kopeck higher (at 33.49) than the previous session, driven mainly by stronger RUB. In the morning RUB was helped a bit by the CBR decision to raise the deposit rates by 25bp, but the reaction was temporary, as the global risk appetite remained subdued still and the Western investors did not have a chance to react to the interest rate raise due to public holiday. The RUB has become a more attractive currency to hold at the margin, and further systematic reduction in RUB liquidity domestically will further contribute to this. The CBR signalled a pause for the "coming months" in their statement yesterday, yet right after the CBR chief Ignatyev expressed the concern over lifting the embargo on grain. The agricultural commodity prices have started to trend higher again in the past few weeks, thus it is clearly the major risk for inflation going forward (food constitutes 37% of CPI basket in Russia). Thus, any risks there would make the CBR more hawkish. Today the risk sentiment has improved, as Asian stock markets rose and the front month Brent oil rose above USD 115/bbl again. The Russian equities gapped up on the opening again. The RUB basket opened around yesterday's close levels and may go lower today.

Debt and Equity Markets

Russian stock market continued to rebound yesterday. Commodity market showed positive dynamics, European and US market also traded with positive dynamics. Equity fund cash outflow has contracted which can support Russian market.

Forwards	1m.	3m.	6m.	
USD/RUB	28	28,184	28,468	
EUR/RUB	40,422	40,599	40,897	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,16	0	4,26	3,23
MIBOR 1m (%)	4,43	0,16	4,71	3,81
RUONIA 1d (%)	4,25	-0,5		
Implied NDF yield 6m%	4,29	0,075	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	137	-2	218	119
Eurobond Russia 30Y	4,46	-0,153	5,739	3,914
EMBI +	571,64	2,53	582,02	505,62
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1888,60	1,23	2123,56	1288,72
Micex	1666,30	1,30	1859,99	1254,65
S&P 500	1345,20	1,06	1363,61	1022,58
DJIA	12569,79	1,03	12810,54	9686,48
Brent	116,73	1,21	129,43	67,20



Dmitry Savchenko +7 495 7773477
Aurelija Augulyte +45 3333 6437

Dmitry.Savchenko@nordea.ru
Aurelija.Augulyte@nordea.com

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