

Nordea

Russian Markets - Daily

June 08, 2011

RUB is more or less flat	USD/RUB	27.7	▼
Liquidity has normalized	EUR/RUB	40.60	▼
O/N rates are near CBR depo	RUB basket	33.50	▼

Hot News

- The total CBR's currency interventions in USD in May were USD 3.915bn, of which USD 3.267bn were planned/targeted. The CBR also bought EUR 433.95m, of which USD 334.94m were planned/targeted. /CBR
- Sberbank will offer around EUR 700-750m for the international division of Osterreichische Volksbank AG, according to the Austrian daily Die Presse. /Lenta
- Over the past six months the number of shadow wages in Russia has doubled, said the chairman of "Business Russia" (public organization that defends the interests of entrepreneurs) B. Titov. The growth of "gray" and "black" payments is associated with an increase in social security contributions from 26% to 34% in 1 January 2011. /Interfax
- Russian authorities are further discussing the reduction of the social security tax for businesses, but the final decision is not ready yet, commented the presidential advisor A. Dvorkovich. President Medvedev asked the government to decrease the tax rate from 2012 to all businesses back to around 26%. Among the recent proposals from presidential administration for compensation of budget revenue losses is the increase in the profit tax by 4 pp (to 24%), yet so far such a step is being opposed by the FinMin and EconMin. /Vedomosti

Money Market

Central Bank's correspondent accounts and deposits totaled RUB 948 bn. (-8 bn.). Overnight rates are near Central Bank's depo rate at 3.5%. It is possible, that this month we won't see previous liquidity peaks. Recent Central Bank's tightenings have changed situation drastically. CBR will continue to fight against inflation further. However recent CBR official's announcements signal that key rates may stay unchanged during coming few months. CBR will wait for summer inflation statistics, anticipating slight seasonal deflation.

Currency market

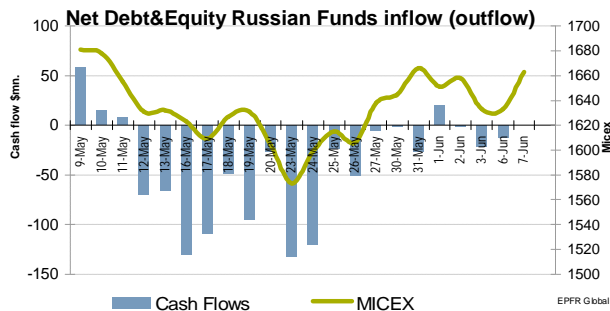
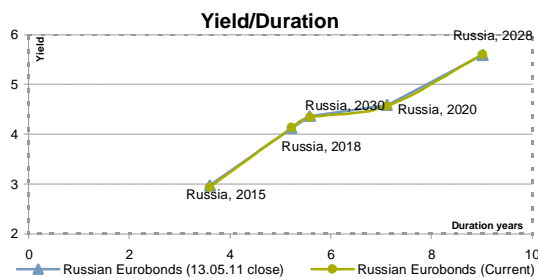
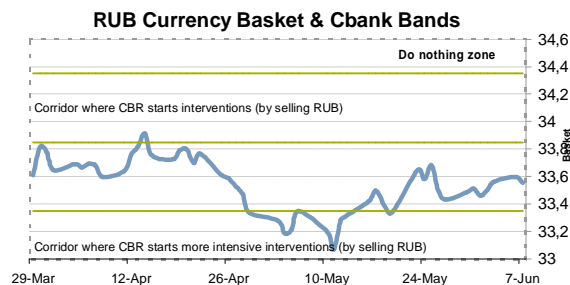
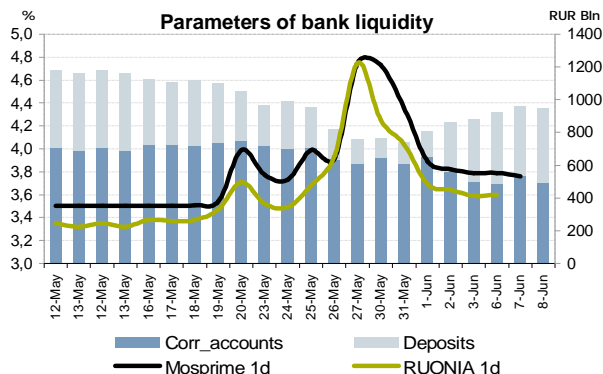
As the risk appetite revived slightly yesterday, the RUB gained 4 kopeck against the basket, finishing the day at 33.55. RUB gained further against the broadly weakening USD, as the USD/RUB dropped by a further 10.24 kopeck during the day. Today the RUB basket opened lower, falling below 33.50 in the first minutes of the daily session. RUB is supported by increasing oil prices again, as the front month Brent oil hit USD 117.40/bbl yesterday, trading around USD 116.30 here in the morning. If OPEC does not raise the oil production the oil prices have good reason to trend higher, as the USD depreciation is further supported by yesterday's Bernanke's comments that the stimulative policy is right for now. The risk sentiment is still subdued in the markets, though - the US equities dropped after Bernanke's comments, the Asian equities retreated during the night and the Russian equities gapped down in the morning. That being said, RUB has fair chances to keep gaining further against the USD in the coming weeks, especially as the tax period nears and the Russian exporters are already looking to convert their FX inflows to cover the payments.

Debt and Equity Markets

Russian stock market rose yesterday due to internal trading ideas (Gazprom, Sberbank). It is remarkable that we don't see usual foreign funds inflow during market's rebounding. It is possible, that foreign investors took a pause in anticipation of Fed meeting in the end of June. We expect flat dynamics till that moment.

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Forwards	1m.	3m.	6m.	
USD/RUB	27,801	27,966	28,241	
EUR/RUB	40,761	40,924	41,199	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,04	-0,01	4,26	3,23
MIBOR 1m (%)	4,39	-0,05	4,49	3,81
RUONIA 1d (%)	3,6	0,01		
Implied NDF yield 6m%	4,07	-0,025	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	131	-2,33	218	119
Eurobond Russia 30Y	4,351	-0,001	5,739	3,914
EMBI +	574,16	0,95	582,02	505,62
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1904,22	2,43	2123,56	1288,72
Micex	1662,71	1,79	1859,99	1254,65
S&P 500	1284,94	-0,10	1363,61	1022,58
DJIA	12070,81	-0,16	12810,54	9686,48
Brent	116,18	1,97	129,43	67,20



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