

Nordea

Russian Markets - Daily

June 14, 2011

RUB retreated vs. basket	USD/RUB	27.88	▲
Liquidity decreased	EUR/RUB	40.30	▲
Rates were stable	RUB basket	33.49	▲

Hot News

- Russia kept up its run of monthly budget surpluses in May, thanks to higher tax revenues, strong oil prices and prudent spending, but elections at the turn of the year increase the risk of an overall deficit. Russia posted a budget surplus in May of 4.6 percent of gross domestic product, the Finance Ministry said on Friday, citing preliminary data.
- In the first five months of the year, the surplus came 1.8 percent of gross domestic product, compared with a deficit of 2.9 percent of GDP in the same period a year ago.
- Russia's biggest lender Sberbank raised \$1 billion trough placing 10-year Eurobonds, fulfilling less than half of demand, the bank's deputy chief executive officer told Reuters on Friday. The bank was not planning to meet all the demand given no urgent need in liquidity, but the aim was to create a 10-year yield curve, Zlatkis said. Sberbank's 2011 borrowing programme stands at \$2 billion to \$4 billion.
- Separately, Sberbank is looking forward to obtaining permission to issue depositary receipts for 25 percent of its share next week in the course of a broader Russia's aim to raise 1 trillion rubles (\$35.6 billion) from the sale of state assets to plug a deficit in the budget.
- Chinese President Hu Jintao will hope to put an end to a fractious dispute over Russian gas supplies vital for feeding China's booming economy when he visits Moscow this week.
- Russia agreed on Friday to lift a ban on vegetable imports from the European Union if the EU provides safety guarantees, clearing the way to ending a row over a fatal outbreak of E.coli in Europe.

Money Market

Stability can disappear till the end of the month, but so far interbank rates are flat. Central Bank's correspondent accounts and deposits decreased by RUB 61 bn. and totaled RUB 881 bn. Overnight rates are near Central Bank's depo rate (at 3.5%) but due to relative low liquidity rates can begin to rise. Tax payments can provoke local turmoil on the Money Market at the end of the month (first payment will be tomorrow). On the next meeting Central Bank will probably keep key rates unchanged, but the major factor for coming months will be low liquidity.

Currency market

The RUB basket gained during Friday's session, finishing the day at 33.42. Today's opening was even higher. The oil prices, which increased after OPEC decided not to increase production quotas the day before, then slumped down due to stronger dollar and Saudi's decision to increase oil input. Today the front month Brent prices are trading shy of USD 118/bbl. From the other side relative low RUB liquidity in the domestic market supports RUB. We expect the poor situation with liquidity will persist. RUB will probably continue to trade near 33.5 during coming weeks.

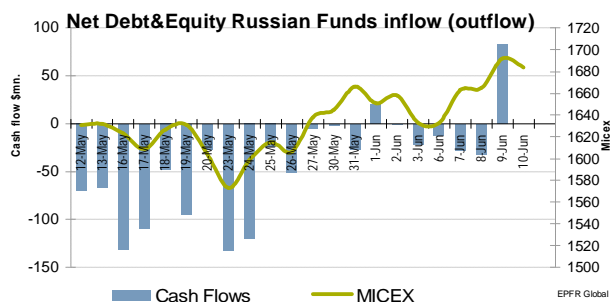
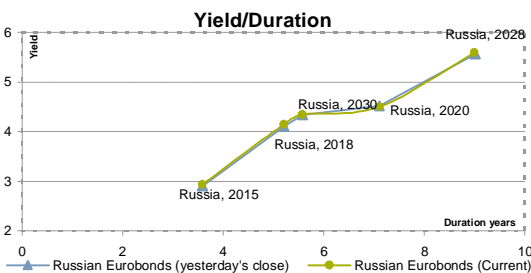
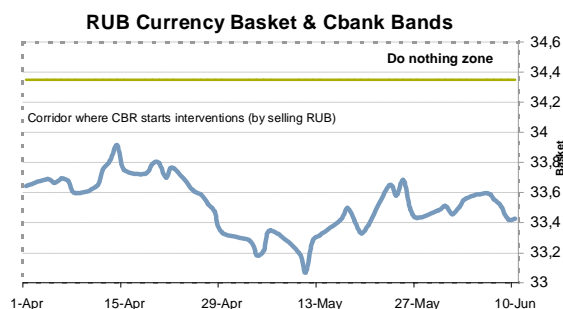
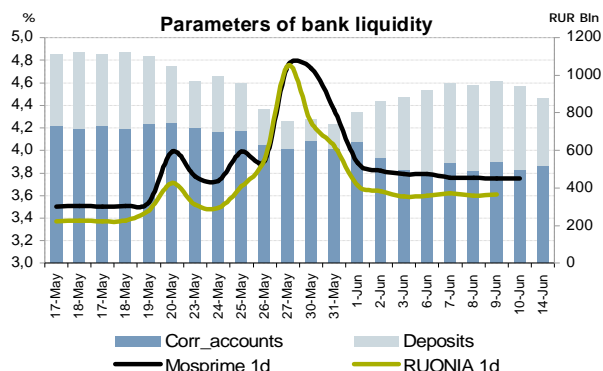
Debt and Equity Markets

Russian stock market showed good growth last week. Local market was driven by internal factors and followed trading ideas in blue chips. Today we don't see much space for growth.

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Forwards	1m.	3m.	6m.	
USD/RUB	28,02	28,188	28,455	
EUR/RUB	40,361	40,533	40,803	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,01	0	4,26	3,23
MIBOR 1m (%)	4,39	0,01	4,49	3,81
RUONIA 1d (%)	3,61	0,01		
Implied NDF yield 6m%	4,02	0,05	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	135	-1,13	218	119
Eurobond Russia 30Y	4,401	0,063	5,455	3,914
EMBI +	574,19	-0,76	582,02	510,93
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1926,02	-0,77	2123,56	1288,72
Micex	1683,96	-0,50	1859,99	1254,65
S&P 500	1271,83	0,07	1363,61	1022,58
DJIA	11952,97	0,01	12810,54	9686,48
Brent	119,27	-0,35	129,43	67,20



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