

Nordea

Russian Markets - Daily

June 15, 2011

RUB slightly gained vs. basket	USD/RUB	27.9	▲
Liquidity continue to decrease	EUR/RUB	40.11	▼
Rates are currently stable	RUB basket	33.39	▼

Hot News

- The International Monetary Fund urged Russia on Tuesday to tighten monetary policy to rein in inflation and improve its investment climate to put a halt to capital outflows resulting from political uncertainty. The Fund forecast 2011 inflation in Russia at 8 percent, down from its previous forecast of 9.3 percent but still above the Bank of Russia's goal of bringing inflation down to below 7 percent by the end of the year. The Fund expects inflation to fall to 7.2 percent next year from the current reading of 9.6 percent.
- Russia's gross domestic product (GDP) rose by 4.1 percent in the first quarter, year-on-year, down from a growth rate of 4.5 percent in the preceding quarter, the Federal Statistics Office said on Tuesday.
- Russia's Finance Ministry is looking to double the mineral extraction tax (MET) for all gas producers and grant independent companies discounts by decree instead of a legal exemption, Interfax reported on Tuesday.
- Russia's central bank, majority owner of Sberbank, the country's top lender, has picked four international banks and one local one to arrange the sale of a 7.6 percent stake. The central bank has chosen Credit Suisse, Goldman Sachs, Morgan Stanley, JP Morgan and Russia's Troika Dialog to arrange the sale, the regulator said on Tuesday.
- Russia may export around 8 million tonnes of grain in July-September, although its exportable surplus is expected to be significantly higher, the head of the Russian main grain industry lobby said on Tuesday.

Money Market

Central Bank's correspondent accounts and deposits decreased by RUB 24 bn. and totaled RUB 856 bn. However overnight rates are trying to stay near Central Bank's depo rate at 3.5%. But rates can begin to rise due to relative uncomfortable liquidity. Today market is waiting for income tax payments which will further continue to deteriorate liquidity. Central Bank's desire to keep inflation within 7% annual target and strict monetary policy lead to the current situation with liquidity. In the end of the month we expect interbank rates to rise. The International Monetary Fund urged Russia to tighten monetary policy to fight against the inflation but still we expect that CBR will take a pause till the end of the summer.

Currency market

The RUB basket retreated slightly as commodity market and low ruble liquidity helped RUB to restore. Tuesday's session, finishing at 33.45 and today's opening was even lower at 33.39. Today the front month Brent is trading at USD 120/bbl. Relative low RUB liquidity and coming tax payments (value added and mineral extraction taxes are the most crucial) will spur RUB purchases on the currency market, which will support ruble.

Debt and Equity Markets

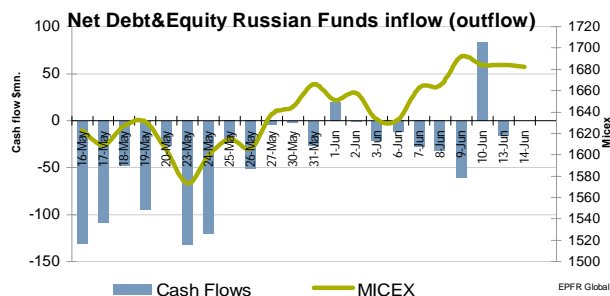
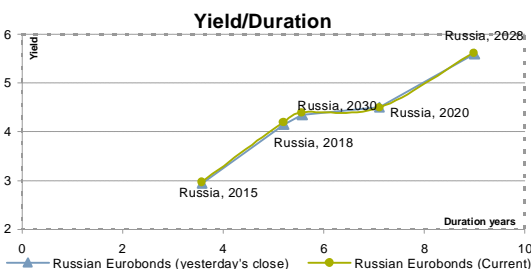
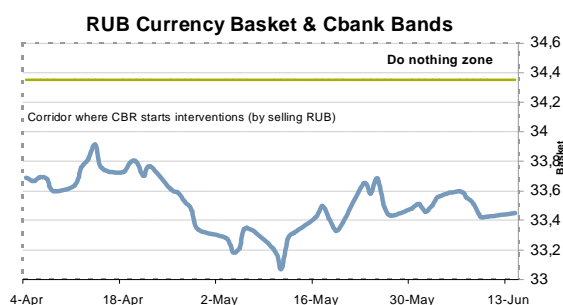
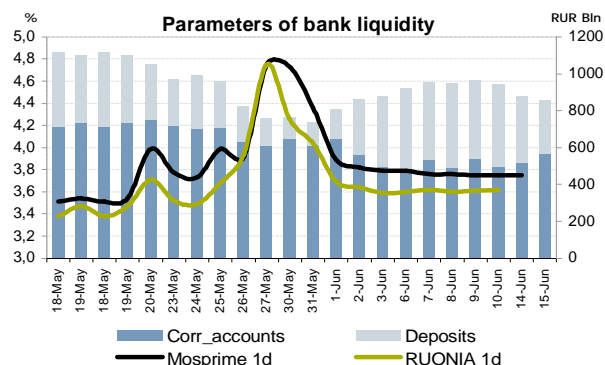
Russian stock market was flat yesterday. Positive commodity market's dynamics supported local market. From the other side low RUB liquidity can become a problem for the market.

Debt market: Russia remains reluctant to offer investors a premium on its treasury bonds, underlining there is no pressure on the government to meet this year's ambitious borrowing plan. The ministry said on Tuesday it will seek rates of 8.10 percent to 8.20 percent at a top-up auction of 10 billion rubles (\$359 million) of 10-year paper on Wednesday. The bonds last traded at 8.18 percent on the secondary market.

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Forwards	1m.	3m.	6m.	
USD/RUB	28,006	28,154	28,448	
EUR/RUB	40,323	40,49	40,765	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,02	0,01	4,26	3,23
MIBOR 1m (%)	4,4	0,01	4,49	3,81
RUONIA 1d (%)	3,62	0,01		
Implied NDF yield 6m%	4,12	0,1	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	138,25	3,25	218	119
Eurobond Russia 30Y	4,41	0,009	5,45	3,914
EMBI +	575,1	0,91	582,02	512,32
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1925,56	-0,02	2123,56	1288,72
Micex	1681,66	-0,14	1859,99	1254,65
S&P 500	1287,87	1,26	1363,61	1022,58
DJIA	12076,11	1,03	12810,54	9686,48
Brent	120,70	1,20	129,43	67,20



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