

Nordea

Russian Markets - Daily

June 16, 2011

RUB is stable vs. basket	USD/RUB	28.16	▲
Liquidity decreased	EUR/RUB	39.86	▼
Rates can go up	RUB basket	33.43	▲

Hot News

- The CBR bought USD 1.5bn since the start of June (ie similar rate as in previous months)
- It's about time to change law to reflect the key goal of the CBR inflation targeting instead of keeping the stable currency
- The CBR is not considering to further narrow the interest rate corridor in the coming months
- The CBR expects the capital outflow to "significantly reduce" in June
- The CBR expects the government budget to be non-deficit this year
- China and Russia have failed to come closer in tough price talks between their national energy giants
- Russia central bank is satisfied with its interest rate corridor, a senior official said on Wednesday.
- On Tuesday, the International Monetary Fund urged Russia to further tighten monetary policy by withdrawing liquidity and raising rates to ensure sustainable economic growth
- Asked about the likelihood of leaving rates unchanged until the end of 2011, Ulyukayev said that this is not decided yet. "We were talking about the coming months, maybe two, maybe five, I cannot say right now -- all depends on the (economic) situation," he said.
- Ulyukayev also said that the central bank will pursue diversification of its gold and foreign exchange reserves by adding the Australian dollar, but any moves are unlikely before autumn.
- High oil prices will drive the ruble up to its pre-crisis level of 24-26 to the dollar in coming years unless the state stops spending all its oil revenues on budgetary needs, Russia's finance minister said on Wednesday.

Money Market

Central Bank's correspondent accounts and deposits decreased by RUB 22 bn. and totaled RUB 834 bn. Surprisingly overnight rates are trying to stay near Central Bank's depo rate at 3.5%. We expect rates will begin to rise during next few weeks due to relative uncomfortable liquidity. In the end of the month interbank overnight rates can temporary reach CBR REPO rate of 5.5%. Russia central bank is satisfied with its interest rate corridor, a senior official said on Wednesday, indicating that it may disregard recent IMF advice and put interest rate hikes on pause. However interest rate hiking cycle can be continued later this year.

Currency market

The RUB basket was stable versus basket. The ruble increased by 40 kopeks against the euro, tracking a severe weakening of the European currency after euro zone ministers failed to reach agreement on how to tackle Greece's debt crisis. Dollar however rose vs. RUB, offsetting influence on RUB in terms of currency basket. Today RUB continue to trade on the same levels: lower commodity prices are offset by low RUB liquidity and higher demand for RUB due to coming tax payments.

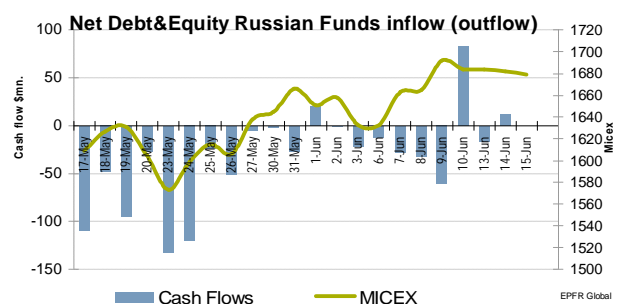
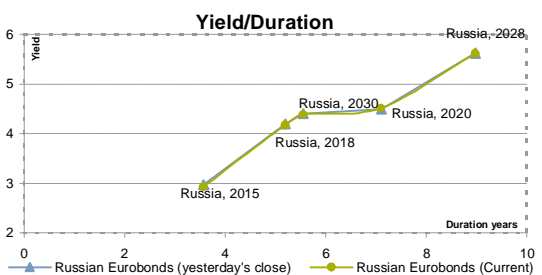
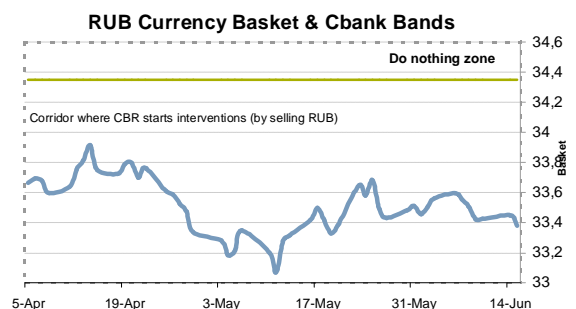
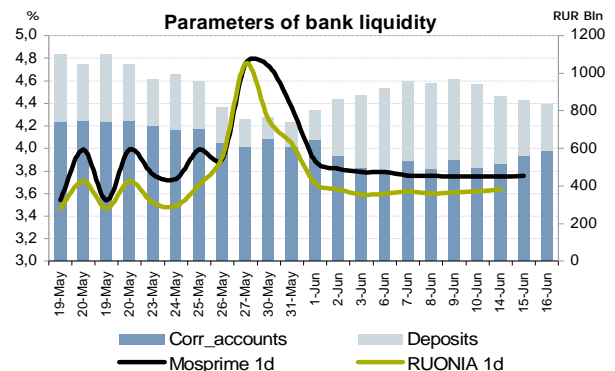
Debt and Equity Markets

Russian stock market tries to resist external negative factors. Local market looks better than its peers and other western markets. However low liquidity can become a problem, first of all for the bond market.

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Forwards	1m.	3m.	6m.	
USD/RUB	28,316	28,487	28,762	
EUR/RUB	39,854	40,034	40,316	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,01	-0,01	4,26	3,23
MIBOR 1m (%)	4,39	-0,01	4,49	3,81
RUONIA 1d (%)	3,64	0,02		
Implied NDF yield 6m%	4,19	0,07	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	139,5	1,25	218	119
Eurobond Russia 30Y	4,463	0,053	5,45	3,914
EMBI +	573,92	-1,18	582,02	513,9
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1919,05	-0,34	2123,56	1288,72
Micex	1678,82	-0,17	1859,99	1254,65
S&P 500	1265,42	-1,74	1363,61	1022,58
DJIA	11897,27	-1,48	12810,54	9686,48
Brent	114,36	-5,25	129,43	67,20



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