

Nordea

Russian Markets - Daily

June 21, 2011

RUB decreased vs. basket	USD/RUB	27.99	▼
Liquidity is quite comfortable	EUR/RUB	40.22	▲
Rates are stable	RUB basket	33.49	▼

Hot News

- Prime Minister Putin and President Medvedev should not both run for the presidential post in the elections early next year, according to Medvedev. He said that such a competition would be harmful to the goals and aims which they have been after during the past couple of years. /Interfax
- Credit growth accelerated in May. Credit to non-financial organizations grew 1.9% in May, while credit to individuals - by 3.1%, which is a higher rate than the month before (1.7% and 2.8%, respectively). /CBR
- WTO would benefit from Russia's accession to the organization no less than Russia itself, said former WTO head Supachai Panichakdi. "The WTO is waiting for Russia"- he said. /Interfax

Money Market

Central Bank's correspondent accounts and deposits significantly decreased by RUB 87 bn. and totaled RUB 1175 bn. Last week Bank of Russia has repaid its debt (~ RUB350 bn.) which helped liquidity to restore due to this money were not reinvested. However tax payments (~500 bn.) will pump out this extra liquidity till the end of the month. Yesterday companies paid VAT. Interbank overnight rates are stable near Central Bank's depo rate at 3.5%. However till the end of the month we expect rates will begin to rise. Liquidity squeeze won't be so tight but still it can influence MM.

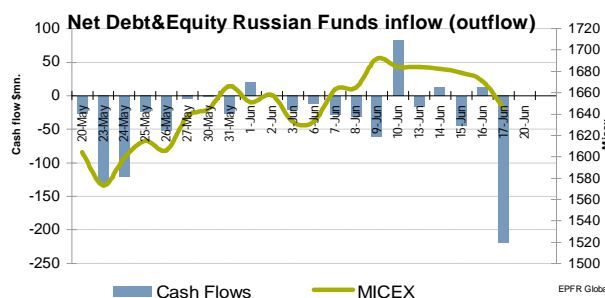
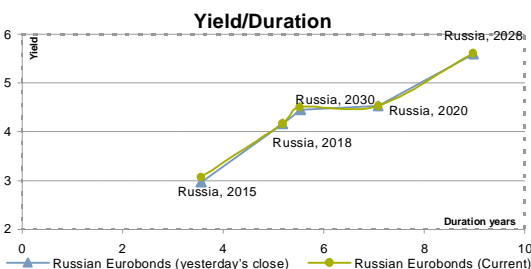
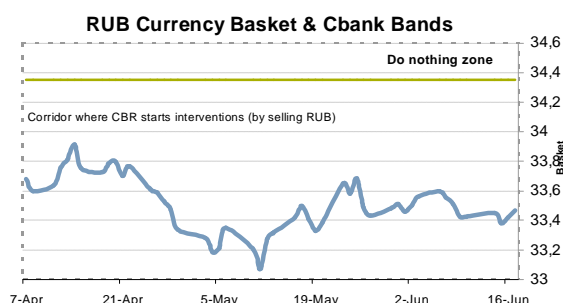
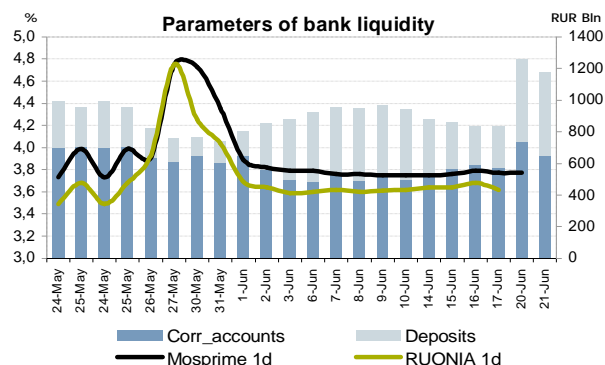
Currency market

The RUB basket rose a further 7 kopeck on Monday, finishing the day at 33.54. RUB lost 8.7 kopeck against USD and gained 5 kopeck against EUR. The negative risk sentiment globally prevails as the oil prices retreated to just above USD 110/bbl yesterday and the local equity markets dropped by over 1%. Tonight the equity markets posted a relief rally, yet the optimism is not likely to settle before we get some certainty over the Greek bailout. Late today we have a crucial confidence vote for Greek government - the failure to accept the fiscal tightening measures (not expected) will likely send EURUSD lower, thus helping RUB especially against EUR. We believe still the RUB basket held strong in light of the sharp fall (USD 10) in oil prices from Friday, and it will gain against the basket as soon as the sentiment improves on the global markets. The capital outflows have receded, and, if history is anything to go by, the capital account is much stronger in Q2. Strong credit growth (30-40% annualized!) in the recent months suggests the domestic demand is strong, so the CBR will continue to tighten monetary policy - further interest rate increases will help RUB. Today RUB opened a few kopeck lower.

Debt and Equity Markets

Russian stock market declined yesterday mostly because of oil prices slump. Capital outflow also continues, pressing down local market. Bond market is stable. Secondary market shows very low trading volume, but corporate bond placements are still very popular even without any premiums.

Forwards	1m.	3m.	6m.	
USD/RUB	28,12	28,298	28,575	
EUR/RUB	40,3375	40,52	40,8075	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,05	0,01	4,26	3,23
MIBOR 1m (%)	4,39	-0,01	4,49	3,81
RUONIA 1d (%)	3,62	-0,06		
Implied NDF yield 6m%	4,23	0,05	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	147	7	218	119
Eurobond Russia 30Y	4,481	0,022	5,45	3,914
EMBI +	572,78	0	582,02	513,9
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1858,34	-1,08	2123,56	1288,72
Micex	1626,14	-1,20	1859,99	1254,65
S&P 500	1278,36	0,54	1363,61	1022,58
DJIA	12080,38	0,63	12810,54	9686,48
Brent	111,84	-0,17	129,43	67,20



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