

Nordea

Russian Markets - Daily

June 24, 2011

RUB decreased vs. basket	USD/RUB	28.23	▲
Liquidity is stable	EUR/RUB	40.10	▼
Rates don't afraid of taxes	RUB basket	33.54	▲

Hot News

- Representatives of the Russian Central Bank and the People's Bank of China signed an agreement and payments in national currencies, the deputy chairman of Bank of Russia This agreement provides an opportunity to settle through the Russian and Chinese banks are not only in hard currency but also in yuan and rubles. /Interfax
- Russia's international reserves fell to USD 520.3bn in the week to June 17, down from USD528bn the week before (mostly reflecting weakening of EUR). /CBR
- President Dmitry Medvedev did not rule out that in the future he can lead a political party. "What party it will be - allow me to answer this question"- said Medvedev.
- Blackstone Group, a large private investment firm is looking to enter the Russian market and open an office in Moscow, sources told Kommersant business daily.
- Russia's biggest lender Sberbank will launch its long-awaited depository receipts programme on June 27, the Bank of New York Mellon representative said on Thursday.
- Russia's First Deputy Prime Minister Viktor Zubkov said on Thursday the country might set an export duty on grain if milling wheat prices reach 6,500 roubles (\$231.8) per tonne.

Money Market

Central Bank's correspondent accounts and deposits increased by RUB 6.5 bn. and totaled RUB 1299 bn. Overnight rates trade slightly above Central Bank's DEPO rate. Next week tax payments will approximately total RUB 250-300 bn. Liquidity will probably decrease but we don't expect usual liquidity squeeze in the end of June. However from the other side we don't see and interest rates decrease.

Next CBR meeting will be on July 30. Key rates are widely expected to stay the same as long as Central Bank is waiting for deflation in the second half of the year.

Currency market

The RUB basket finished 2 kopeck higher to the previous day's close, at 33.52. RUB lost 28 kopeck against the USD, but gained 26 kopeck against EUR. Thus, as the basket remained stable, the movements on both RUB legs were driven primarily by the drop in EUR/USD. Today after EU/IMF reached an agreement with Greece on their 5-year austerity plan the EUR has inched stronger again, thus RUB may gain against USD vs. EUR during the daily session - unless the German Ifo index disappoints vastly, sending EUR to further lows.

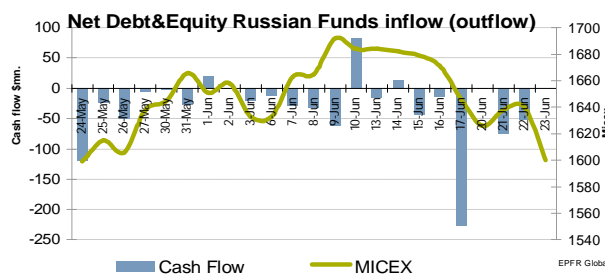
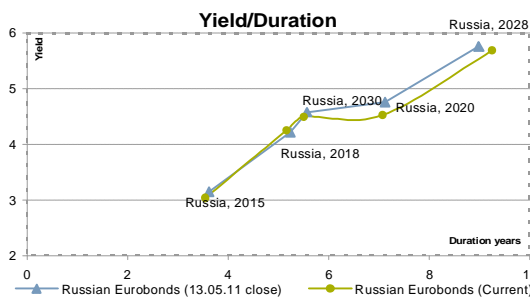
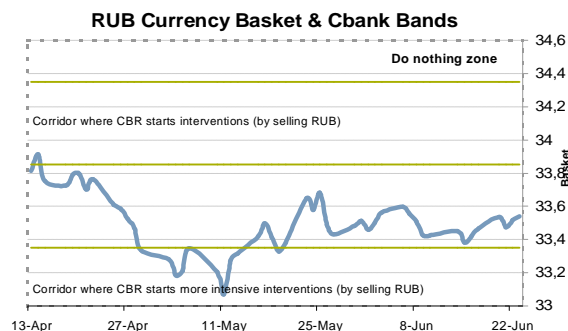
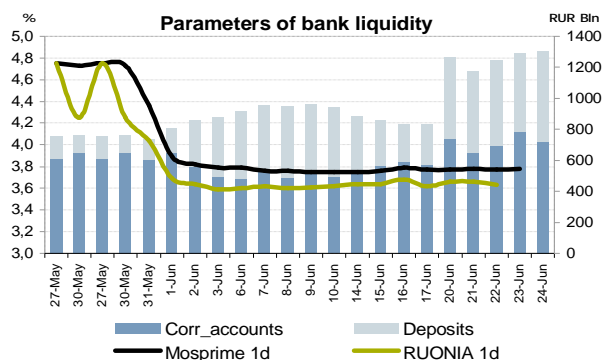
Yesterday IEA unexpectedly announced the release of USD 60m bbl of emergency oil reserves to the market, sending Brent oil prices to USD 106/bbl. Today the oil prices have ticked up again, trading at above USD 108/bbl. The fall in oil prices is RUB-negative, yet the markets' reaction should contain pessimism, as Asian equity markets shot up over 1% during the night. Slightly lower oil prices should not hurt RUB, as they help the global economy in light of recent signs of "soft patch". Yet further fall below USD 100/bbl (which we do not expect) would hurt RUB. Today the RUB basket opened just a few kopeck higher - again, very resilient in light of yesterday's ca USD 8/bbl fall in oil prices and 2% drop in local equity markets.

Debt and Equity Markets

Russian stock market slumped yesterday on negative commodity market dynamics and weak statistics. Yesterday IEA announced the release of USD 60m bbl of emergency oil reserves to the market. If this pressure persist Russian market won't have opportunity to show healthy growth. However today's opening was higher.

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Forwards	1m.	3m.	6m.	
USD/RUB	28,258	28,439	28,72	
EUR/RUB	40,28	40,467	40,765	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,06	0,01	4,26	3,23
MIBOR 1m (%)	4,38	0	4,49	3,81
RUONIA 1d (%)	3,63	-0,03		
Implied NDF yield 6m%	4,36	0,21	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	156,17	12,17	218	119
Eurobond Russia 30Y	4,532	0,037	5,45	3,914
EMBI +	574,3	-1,4	582,02	516,81
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1829,97	-2,58	2123,56	1288,72
Micex	1607,91	-1,96	1859,99	1254,65
S&P 500	1283,50	-0,28	1363,61	1022,58
DJIA	12050,00	-0,49	12810,54	9686,48
Brent	108,53	-2,09	129,43	67,20



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