

# Nordea

## Russian Markets - Daily

June 28, 2011

<b>RUB decreased vs. basket</b>	USD/RUB	28.24	▲
<b>Liquidity decreased slightly</b>	EUR/RUB	40.28	
<b>MM rose insignificantly</b>	RUB basket	33.67	▲

### Hot News

- The presidential aide A. Dvorkovich said that the government will provide an updated timetable for privatization by August. Dvorkovich noted that the major changes will be related to changes of shares of companies that are already in the list (for example, "Rosneft", VTB, etc.).
- Russia's banking sector has stabilized after the crisis against the background of recovery in oil prices, the resumption of economic growth and reduce the pressure on the capitalization, according to the international rating agency Fitch Ratings. Most Russian banks have a "stable" outlook on the ratings, and Fitch does not expect to change most of these forecasts for 2011, however, in the medium term, the agency sees better prospects in the larger financial institutions than for smaller banks, and eventually it is likely to lead to an increase in differences in levels of ratings in the sector. Credit risks are smoothed still a good level of capitalization for most banks, with regulatory capital adequacy ratio of the banking system of 17.3% at the end of 4 months in 2011.
- Prime Minister Putin said that the budget should be balanced by 2014. Putin emphasized the need for special attention to developing infrastructure and promoting innovation. According to him, special support should be given to industries such as defence, agriculture, as well as science, education and health. /Vedomosti
- Rosneft's (Russia's oil major) Chief Financial Officer P. Fedorov said that with the current oil prices the RUB is fairly valued around 24-25 to the USD. /Reuters

### Money Market

Central Bank's correspondent accounts and deposits decreased by RUB 170 bn. and totaled RUB 1103 bn. However liquidity is quite comfortable and overnight rates rose but still traded slightly above Central Bank's DEPO rate. This week tax payments will continue to deteriorate liquidity but we don't expect liquidity squeeze. Next Central Bank's meeting will be on July 30. Market doesn't expect any key rates hike.

### Currency market

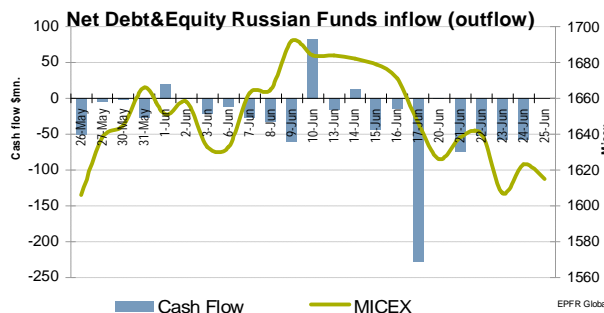
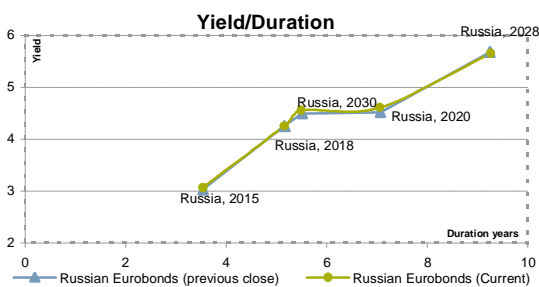
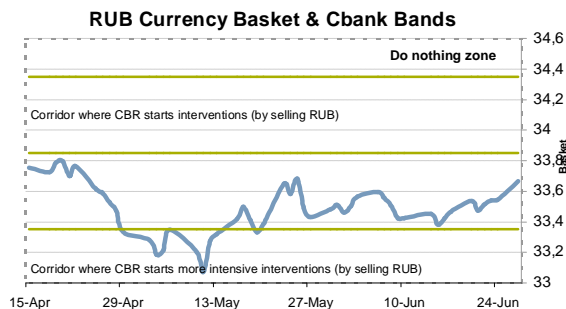
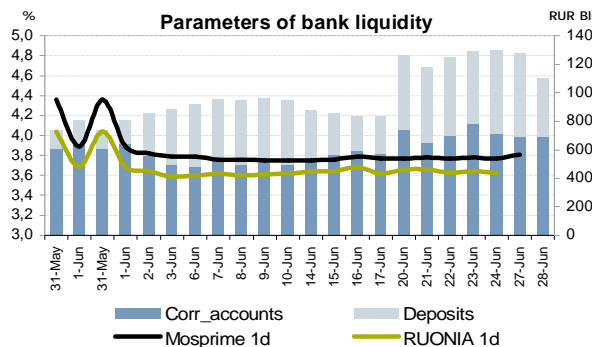
The RUB basket rose 12 kopeck yesterday, finishing at 33.67. RUB lost 16 kopeck against the USD and 7 kopeck against the EUR. This was mainly a reaction to oil prices, as the front month Brent oil retreated to as low as USD 102/bbl. yesterday. Today the oil prices are higher again, trading at just below USD 106/bbl. Yet it is not certain whether this is the end of correction - technically it seems that the oil has to drop below USD 100/bbl. to reestablish the linear trend since 2008. Falling oil prices are RUB negative, yet we still believe it is a temporary volatility driven by the negative sentiment regarding especially US worsening macro signals. But the latter episode may be behind, as the US index of economic surprises is at its lowest, which means that the risks are skewed to the upside now. Improving sentiment should positively affect RUB, especially in light of the expected tightening in the domestic liquidity situation. Today the RUB opened stronger, reaching 33.61 during the first minutes of the day, responding to higher oil prices and the broadly stronger equity markets.

### Debt and Equity Markets

Russian stock market decreased by half percent yesterday due to weak commodity market. If oil pressure continues Russian market won't have opportunity to show healthy growth. We see flat dynamics. Today's opening was slightly higher.

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Forwards	1m.	3m.	6m.	
USD/RUB	28,134	28,32	28,597	
EUR/RUB	40,3841	40,61	40,91	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,07	0	4,26	3,23
MIBOR 1m (%)	4,37	-0,02	4,49	3,81
RUONIA 1d (%)	3,62	-0,02		
Implied NDF yield 6m%	4,29	0,04	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	157,92	13,92	218	119
Eurobond Russia 30Y	4,607	4,607	5,45	3,914
EMBI +	575,54	575,54	582,02	517,45
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1842,20	-0,80	2123,56	1288,72
Micex	1626,95	-0,43	1859,99	1254,65
S&P 500	1280,10	0,92	1363,61	1022,58
DJIA	12043,56	0,91	12810,54	9686,48
Brent	105,95	2,03	129,43	67,20



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