

Nordea

Russian Markets - Daily

June 30, 2011

RUB gained vs. basket	USD/RUB	27.87	▼
Liquidity increased	EUR/RUB	40.45	▲
Money Market rates are	RUB basket	33.53	▼

Hot News

- In his budget address yesterday President Medvedev called for curbing spending and lower non-oil deficit. As one of the short term target Medvedev mentioned a reduction of social contribution tax rates from 34% to 30% for majority of businesses and to 20% to non-trading sector SMEs and charity organizations in 2012-2013, admitting that the tax increase this year had negative effect on economic recovery. Talking about the social security Medvedev said that pensions on average will rise 11% in 2011 and other social benefits by 6%, promising indexation of public sector salaries in 2012. Medvedev also pointed out that the state role in the economy should decline, which will be helped by selling completely or the majority stakes in state companies. /Interfax
- Inflation was recorded at 0% w/w in the week over June 21-27, as prices of a number of food products declined over the week and fuel price growth decelerated to 0.1% w/w, down from 0.3% w/w two weeks ago. /Rosstat
- CBR chief Ignatyev said that the overall bank credit portfolio will grow by 20-25% this and next year. The credit growth will not be as high as pre-crisis (40%), according to Ignatyev. "These were too high rates" - he said. /Interfax

Money Market

Central Bank's correspondent accounts and deposits increased by RUB 94 and totaled RUB 12010 bn. Interbank rates were stable. Liquidity is ample and overnight rates are near Central Bank's DEPO rate. Today Central Bank holds meeting on rates. We don't expect key rates hike. However market will wait for CBR chief's comments.

Currency market

The RUB rose 9 kopeck against the basket yesterday, closing at 33.54, with gains mainly on the USD leg where RUB gained 18 kopeck. The positive sentiment in the markets continued as the Greek austerity vote got through yesterday afternoon. The oil is back again, trading at USD 112.60/bbl - as if nothing happened - the markets seem to have forgotten the IEA move to release the oil stockpiles last week. A strong rally in the Asian stock markets over the night and weakening USD are yet further expressions of "risk on" in the markets, which should continue to benefit RUB. The Russian Central Bank meeting today should result in no changes in key interest rates, if one believes the recent comments from the CBR, and the markets seem to have bought them - thus, any kind of tightening (e.g. reserve requirement raises) would be a positive surprise for RUB. We believe the recent figures on economic activity suggest a rate hike is warranted - if not this time, then in the coming months. All in all, tighter monetary policy should increase RUB attractiveness. Today the RUB basket opens stronger, reaching 33.47 in the first minutes of the session.

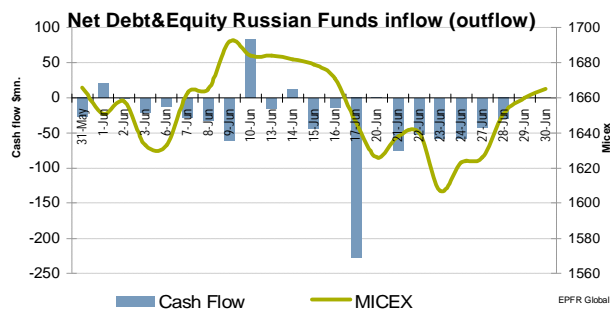
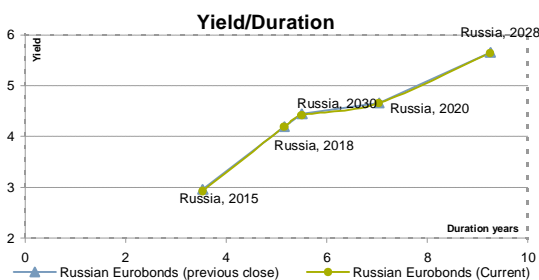
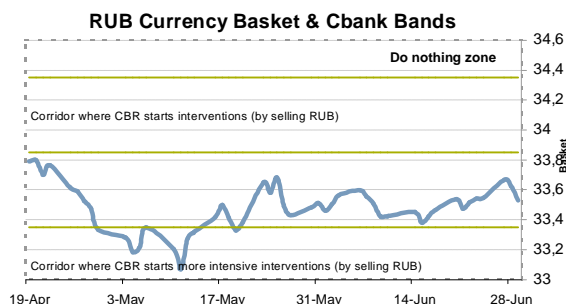
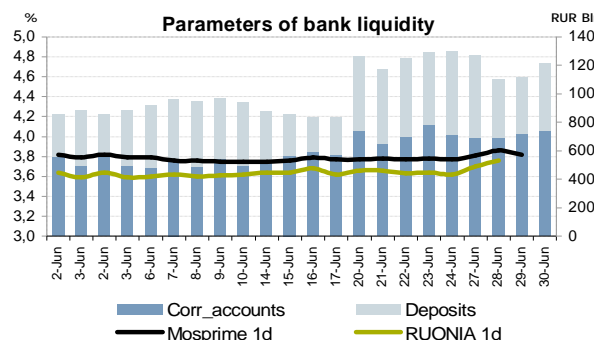
Debt and Equity Markets

Russian stock market increased by 0.5% yesterday due to higher oil prices. Today's opening was slightly higher. Bond market is stable. Russia's finance ministry has unveiled a reduced domestic borrowing plan for the third quarter. The ministry said that it plans to borrow 350 billion rubles (\$12.4 billion) between July and September.

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Forwards	1m.	3m.	6m.	
USD/RUB	27,911	28,097	28,369	
EUR/RUB	40,6475	40,8425	41,13	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,09	0,02	4,26	3,23
MIBOR 1m (%)	4,36	0	4,49	3,81
RUONIA 1d (%)	3,76	0,06		
Implied NDF yield 6m%	4,225	-0,065	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	148	-2,75	218	119
Eurobond Russia 30Y	4,421	4,421	5,45	3,914
EMBI +	577,3	577,3	582,02	517,45
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1894,58	0,99	2123,56	1288,72
Micex	1660,00	0,55	1859,99	1254,65
S&P 500	1307,41	0,83	1363,61	1022,58
DJIA	12261,42	0,60	12810,54	9686,48
Brent	112,56	3,46	129,43	67,20



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