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|--|------------|-------|---|
| RUB is stable vs. basket but lost vs. USD | USD/RUB | 28.42 | ▲ |
| Rates are stable | EUR/RUB | 39.43 | ▼ |
| Liquidity is waiting for taxes | RUB basket | 33.37 | ▲ |

Hot News

- The CBR chief deputy chairman A. Ulyukayev said that the CBR does not change the capital flow forecasts, expecting a "turn" in the flows (from outflow to inflow) as of June. Ulyukayev said that in the first half of the year foreign investors were weary of high inflation, uncertainty over trade balance and the currency. "Now, I think, understanding of inflationary and currency risks is different among investors - they see that situation is now stable and will be ready to invest in RUB assets" - he said. /Interfax
- The CBR bought around USD 1bn in July (first six trading days) so far. /Interfax
- The current privatization program is too modest, said President Dmitry Medvedev at a meeting with leading Russian businessmen - he expects the government more radical proposals by August 1. /Vedomosti

Money Market

Central Bank's correspondent accounts and deposits insignificantly decreased by RUB 6 and totaled RUB 1363 bn. Money Market rates are stable. However this week opens tax paying period - profit taxes will be paid on July 14. Moreover market is focused on Bank of Russia placement of RUB 500bn in short-term zero-coupon 3-month bond (on July 14, 2011). Part of liquidity can be sterilized and interest rate can be under upward pressure.

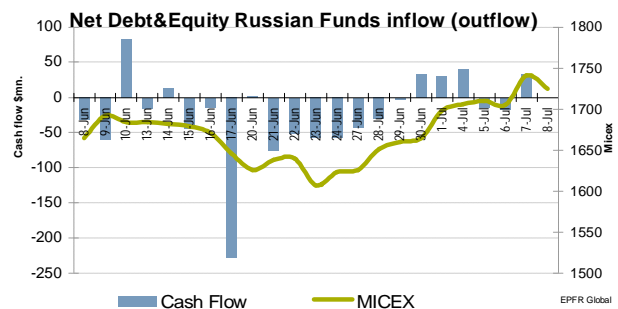
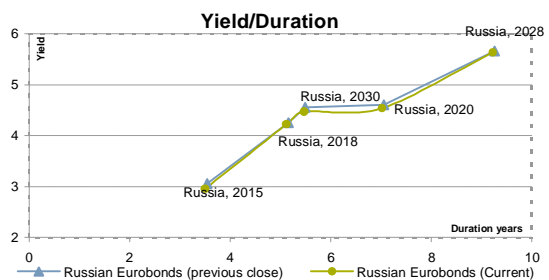
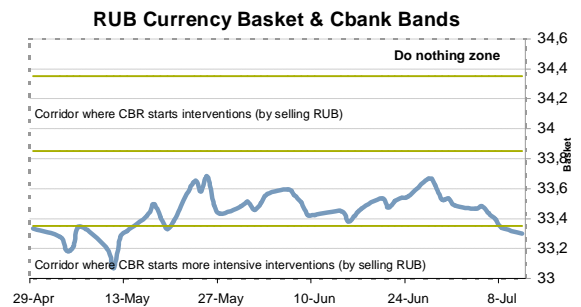
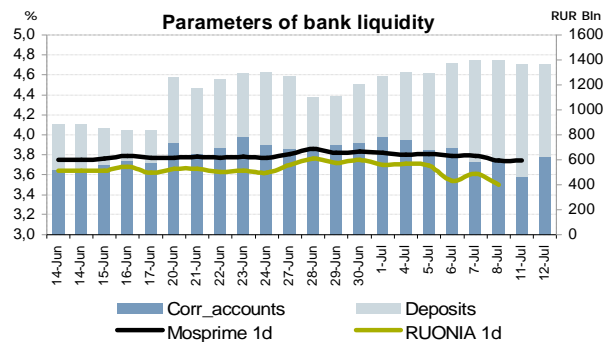
Currency market

The RUB basket remained steady on Monday, finishing the day 1 kopeck lower than the previous day, at 33.36. RUB lost 28.75 kopeck against the USD, but gained 37.72 kopeck against the EUR. Thus, the basket remains broadly hedged against EURUSD movements, and is resilient to the "risk off" in the global markets - surprising in light of sharp drops in equity markets globally and domestically yesterday. Ulyukayev's comments yesterday were on the optimistic side - he doesn't expect more capital outflows. Moreover, looking at the stability of RUB, he was probably right saying that he doesn't expect weakening of RUB in the case of Greek default - the latter would probably weaken EUR, thus allow the RUB gain against it and remain stable against the basket. The risk sentiment remains negative today, as the stocks dropped by over 1% across the board, with nervousness over the euro area problems dominating the headlines. The Brent oil prices remain high, though, trading at USD 116.75/bbl here in the morning, thus supporting RUB.

Debt and Equity Markets

Russian stock market slumped yesterday due to global negative sentiment. Eurozone debt crisis become worse, risk aversion increases. However firm RUB partially offset current market sentiment which along with ample internal liquidity can help and Russian market can face support in coming few days.

| Forwards | 1m. | 3m. | 6m. | |
|-----------------------|----------|--------|----------|---------|
| USD/RUB | 28,401 | 28,575 | 28,849 | |
| EUR/RUB | 39,589 | 39,764 | 40,054 | |
| Money Market | Close | Change | Max 12m | Min 12m |
| MosPrime 1M (%) | 4,04 | 0 | 4,26 | 3,23 |
| MIBOR 1m (%) | 4,39 | 0,01 | 4,49 | 3,81 |
| RUONIA 1d (%) | 3,61 | 0,07 | | |
| Implied NDF yield 6m% | 4,17 | -0,01 | 4,39 | 3,17 |
| Debt | Close | Change | Max 12m | Min 12m |
| Russia CDS 5yr | 154,17 | 12,17 | 218 | 119 |
| Eurobond Russia 30Y | 4,472 | 0,049 | 5,188 | 3,914 |
| EMBI + | 580,06 | -0,9 | 582,02 | 525,09 |
| Stock Indexes | Close | Change | Max 12m | Min 12m |
| RTSI | 1919,08 | -2,01 | 2123,56 | 1385,81 |
| Micex | 1701,48 | -1,34 | 1859,99 | 1327,55 |
| S&P 500 | 1319,49 | -1,81 | 1363,61 | 1047,22 |
| DJIA | 12505,76 | -1,20 | 12810,54 | 9985,81 |
| Brent | 116,62 | -0,78 | 129,43 | 67,20 |



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