

Nordea

Russian Markets - Daily

July 13, 2011

RUB is still strong vs. basket	USD/RUB	28.24	▼
Liquidity levels remain comfortable	EUR/RUB	39.66	▲
	RUB basket	33.40	▲

Hot News

- Russia's state development bank VEB may acquire 80% of coking coal miner Rospadskaya for USD 5.3bn, Interfax new agency cited unnamed sources. Rospadskaya shares went up 6.6% on the news. /Reuters
- Corporate credit (ex. from Sberbank) grew 1.9% m/m in June while household loan portfolio increased 2.3% m/m. Corporate credit growth has thus accelerated to the fastest this year so far. Overall credit growth pace exceeds 25% annualized. /CBR
- Prime Minister Putin speaking at a conference of business circles of the Customs Union expressed confidence that eventually the remaining issues on Russia's accession to the WTO will be solved. "I would like to make it happen earliest possible" - said the prime minister. Yet at the same time Putin stressed that there is no need to "artificially accelerate these processes", as Russia will not give up its national interests. /Vedomosti

Money Market

Liquidity levels remain comfortable, as Ministry of Finance is keen on offering cheap funds to banks. The short end may soon be lifted by decreasing domestic liquidity on the end of month taxes. RUB excess liquidity in the interbank market (exceeding RUB 1.3 trillion) may experience a drawdown already this week as the CBR offers USD 500bn in OBRs on Thursday. We believe the CBR will be willing to absorb liquidity going forward, and thus if the auction fails to attract demand alternative measures (e.g. raise of reserve requirements and interest rates) may follow before long. The 3M Mosprime interest rates have remained at 4.25% since the end of June, and there is no reason for them to fall.

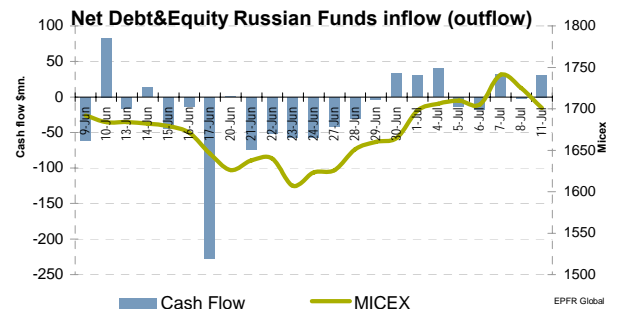
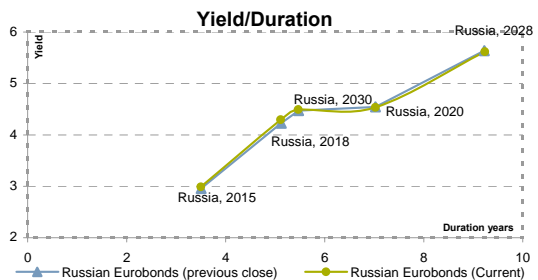
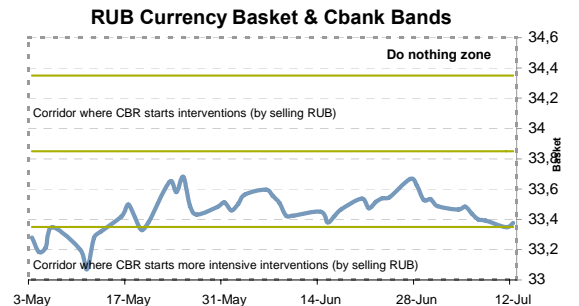
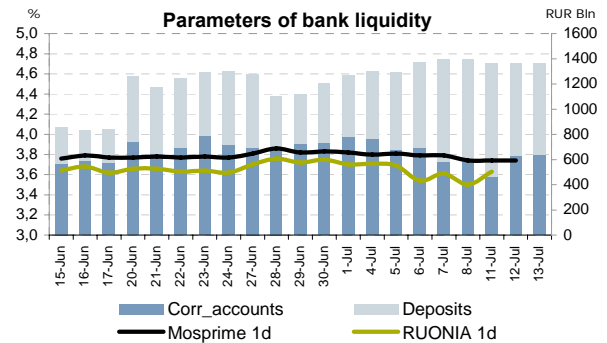
Currency market

As it has become a rule during the past few months, the RUB held strong against the EUR and USD basket yesterday, closing at 33.376, which is just 1.8 kopeck above the previous day's close. The basket remained within 33.35 - 33.42 throughout the daily session. The euro area crisis doesn't harm - weakening of EUR helped RUB to gain over 2% against the EUR since the start of July. Yesterday the risk sentiment was very negative, but after sharp drops equities recovered a bit over the night after the news came out that China's GDP grew more than expected - sign that world economy still has drivers. The Brent oil prices, while retreated from the recent highs, still trade around USD 115/bbl, which is a comfortable level for the economy and therefore RUB. The "risk off" may still dominate the markets in the coming days, as the Greek drama spilled all over, with yet another downgrade to junk status from Moody's to Ireland tonight. That said, the RUB basket remains broadly hedged against the bad scenarios, and outlook for it is improving - yesterday's CBR's statistics on lending show that finally demand for RUB is increasing as banks continue to grow domestic credit portfolios, which will reduce demand for foreign assets and hence benefit RUB.

Debt and Equity Markets

The Russian stock market was hit just as other global markets in the first part of the session, yet gained ground toward the end of the day, finishing nearly flat. Russian debt market also suffered yesterday, with e.g. the benchmark Eurobond Russia-30 yield widening by 5 basis points yesterday. Nervousness will prevail as long as European problems dominate the headlines. Crucial support to Russian equity and debt markets is oil prices, which keep at comfortable levels despite all.

Forwards	1m.	3m.	6m.	
USD/RUB	28,399	28,575	28,867	
EUR/RUB	39,665	39,8375	40,179	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,03	-0,01	4,26	3,23
MIBOR 1m (%)	4,35	-0,04	4,49	3,81
RUONIA 1d (%)	3,5	-0,11		
Implied NDF yield 6m%	4,18	0,01	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	156,58	2,41	218	119
Eurobond Russia 30Y	4,516	0,044	5,119	3,914
EMBI +	579,43	-0,63	582,02	526,86
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1916,81	-0,12	2123,56	1385,81
Micex	1705,92	0,26	1859,99	1327,55
S&P 500	1313,64	-0,44	1363,61	1047,22
DJIA	12446,88	-0,47	12810,54	9985,81
Brent	117,37	0,64	129,43	67,20



Dmitry Savchenko +7 495 7773477 Dmitry.Savchenko@nordea.ru
 Aurelija Augulyte +45 3333 6437 Aurelija.Augulyte@nordea.ru

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