

Nordea

Russian Markets - Daily

July 14, 2011

RUB gained vs. basket	USD/RUB	28.08	▼
MM awaits OBR issue	EUR/RUB	39.80	▲
Equity markets rebounded	RUB basket	33.35	▲

Hot News

- Russia's consumer prices were unchanged in the week to July 11. The prices have risen 5.1% since the start of the year so far. /Rosstat
- Russia's Sberbank may announce a deal to purchase the Austrian Volksbanken for EUR 590bn in a few days, according to the unnamed Reuters sources. /Reuters
- Russia's state development bank VEB and Russia's major steel company Severstal postponed Eurobond issues, citing poor market conditions. Both companies already held road shows. /Reuters

Money Market

Liquidity levels remain comfortable, exceeding RUB 1.3 trillion. Today the Central Bank of Russia is out to offer USD 500bn in OBRs, which may affect the liquidity levels or at least send a signal to the CBR what to do next. 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 overnight Mosprime interest rates keep stuck at just below 3.80% while the 3M Mosprime interest rates have remained at 4.25% since the end of June, and we expect higher rates as the end-of-month tax period kicks in.

Currency Market

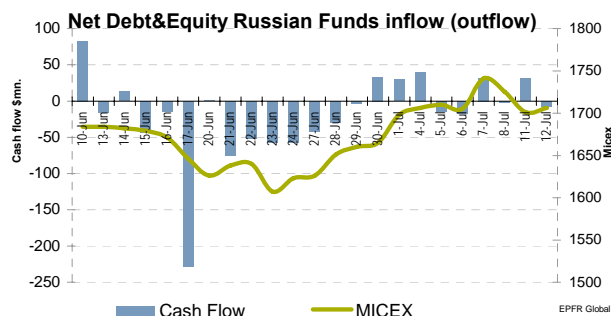
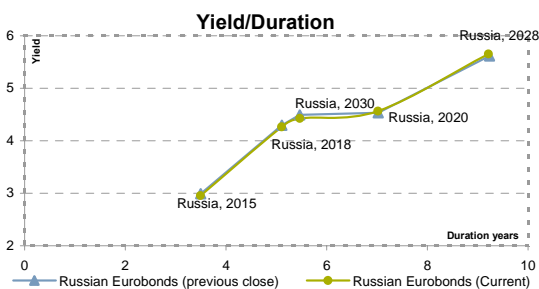
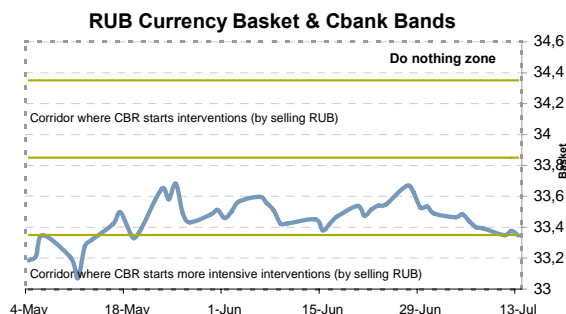
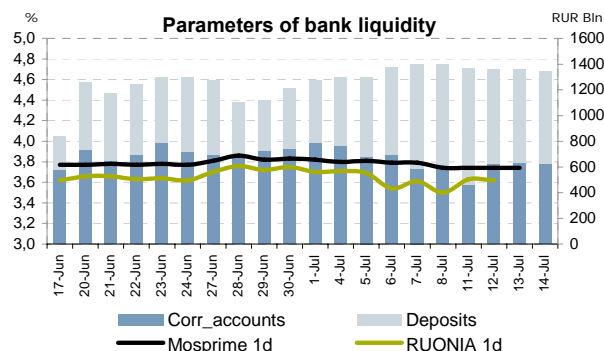
RUB gained 7 kopeck against the EUR and USD basket yesterday, closing at 33.30. The gains were concentrated on the USD side, as RUB gained nearly 28 kopeck against the USD. Most of the action took place toward the end of the trading session, where the RUB basket dropped 10 kopeck and USD/RUB moved down nearly 20 kopeck as the risky markets jumped globally after Fed's Bernanke's hints suggesting that QE3 is not out of question yet, sending USD weaker. The oil prices also increased and exceeded the USD 118/bbl market, as the USD weakened broadly, supporting the RUB. The rally stalled, though, after Moody's put the US rating under review for a downgrade yesterday night. The nervousness may prevail in the markets in the coming days, yet given the RUB has withheld all the pressure in the past few disastrous days, it takes only some risk appetite in the markets to send the RUB basket lower. Decreasing liquidity locally will also work for RUB.

Debt and Equity Markets

The domestic equity markets rose yesterday, with Energy and Financials in the lead following the general improving sentiment in the global equity and commodity markets. Similarly, the Russian benchmark bonds performed. E.g. sovereign Eurobond Russia-30 yield dropped 2bp since the previous day's close, and its yield to the matched maturity US Treasuries declined 7bp for the day.

The Ministry of Finance placed a very small amount of the 10-year OFZ treasury bonds on offer yesterday – just RUB 1.23bn out of the RUB 30bn on offer at an average yield of 7.90%. It could have been well expected - the Ministry of Finance seems unwilling to offer premiums to the market, given the favorable oil price development so far this year.

Forwards	1m.	3m.	6m.	
USD/RUB	28,069	28,245	28,519	
EUR/RUB	39,882	40,06	40,35	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,03	0	4,26	3,23
MIBOR 1m (%)	4,41	0,06	4,49	3,81
RUONIA 1d (%)	3,63	0,13		
Implied NDF yield 6m%	4,215	0,035	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	147,5	-9,08	218	119
Eurobond Russia 30Y	4,455	-0,061	5,119	3,914
EMBI +	580,29	0,86	582,02	527,47
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1936,42	1,02	2123,56	1385,81
Micex	1714,19	0,48	1859,99	1327,55
S&P 500	1317,72	0,31	1363,61	1047,22
DJIA	12491,61	0,36	12810,54	9985,81
Brent	118,40	0,88	129,43	67,20



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