

Nordea

Russian Markets - Daily

July 15, 2011

RUB stable	USD/RUB	28.12	▼
OBR issue failed	EUR/RUB	39.81	▲
Equities retreat further	RUB basket	33.38	▼

Hot News

- The Bank of Russia may toughen its standards regulating the banking sector if the rate of growth of assets per year will exceed 30%, said the head of the department of licensing and financial rehabilitation of credit institutions Mikhail Sukhov at the St. Petersburg international banking conference. Before the crisis, the growth rate of credit portfolio outpaced GDP growth by more than 2 times, and the growth of assets ahead of his nearly 2-fold. According to M. Sukhov, "a situation where systemic risks are formed". /Interfax
- CBR's first deputy chairman A. Ulyukayev said that inflation in Q3 will not exceed 0.5%. The CBR keeps the inflation target of 7%, he said. /Interfax
- International reserves decreased by USD 600m to USD 526.1 in the week from July 1 to July 8. /CBR
- Producer prices decreased 2.2% in June. In H1 2011 producer prices rose 7.9%. /Rosstat

Money Market

Liquidity levels remain high at just above RUB 1.3 trillion. The Central Bank of Russia failed miserably yesterday selling just 1% out of the USD 500bn offered in OBRs. The average yield was 3.69%. This comes just a day after the poor OFZ auction, where just 4% of treasury bills were sold. The lack of demand shows that Russian banks are willing to hold on to their funds – despite the already high liquidity levels. This is no surprising given the recent escalation of credit growth, apparently the banks see better opportunities to use funds for credit rather than keep them in bills, which is a fundamental change since just a half year ago. Apparently this will not be overlooked by the CBR, as they will attempt to use more demanding tools – like raising reserve requirements and interest rates – to tighten the policy further.

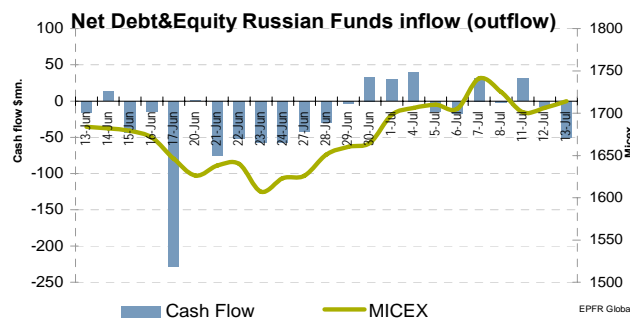
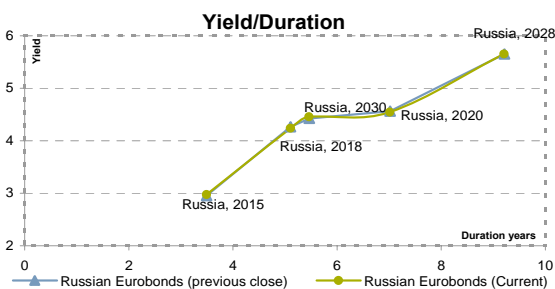
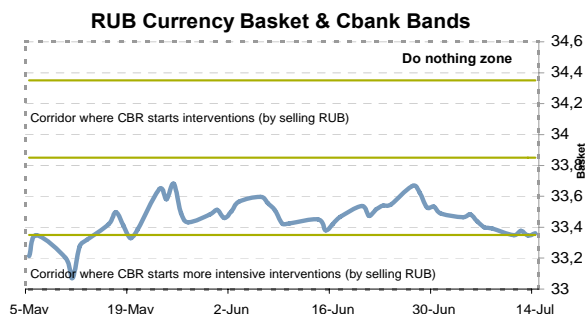
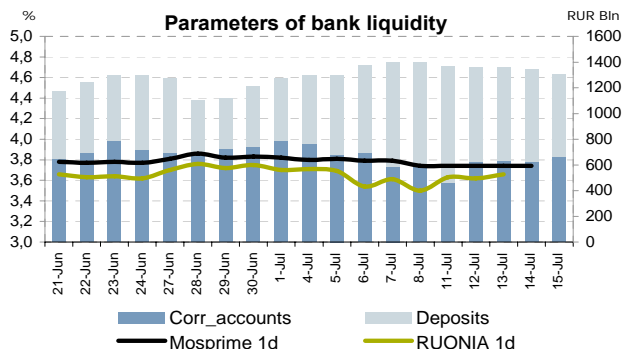
Currency Market

RUB lost 7.5 kopeck against the EUR and USD basket yesterday, closing at 33.38, with losses balanced against the EUR and USD. The RUB basket traded directionless in the tight range of 33.35-33.4. The negative sentiment prevailed in the markets yesterday, with equity markets falling. Bernanke send a cold shower yesterday night, saying that Fed is not ready for QE3 just yet – in effect reversing the effects of late Wednesday's talk, and provoking a negative reaction on stock markets. Another warning from S&P to the US sent another wave of shivers in the markets. As a result, we are seeing Brent oil prices also retreating nearly USD 2 – though it still trades rather comfortably for RUB at around USD 116/bbl. The global markets will remain tense today ahead of the European bank stress tests late in the afternoon, thus keeping RUB alongside other EM currencies under press. RUB opened higher, back was back to yesterday's close levels in a few first minutes of the trading session.

Debt and Equity Markets

The Russian equity markets were volatile on Thursday, finishing with only minor gains of below 0.5%. Likewise the debt market was little changed, with the benchmark Eurobond-30 yield closing unchanged at 4.42%. Yet the spread to Treasuries narrowed 5bp. Today the stocks opened lower, reflecting the market sentiment globally.

Forwards	1m.	3m.	6m.	
USD/RUB	28,17	28,341	28,616	
EUR/RUB	39,888	40,06	40,35	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,02	-0,01	4,26	3,23
MIBOR 1m (%)	4,4	-0,01	4,49	3,81
RUONIA 1d (%)	3,62	-0,01		
Implied NDF yield 6m%	4,18	-0,035	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	147,13	-0,37	218	119
Eurobond Russia 30Y	4,436	-0,019	5,119	3,914
EMBI +	580,36	0,07	582,02	528,43
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1939,68	0,17	2123,56	1385,81
Micex	1715,49	0,08	1859,99	1327,55
S&P 500	1308,87	-0,67	1363,61	1047,22
DJIA	12437,12	-0,44	12810,54	9985,81
Brent	115,98	-2,04	129,43	67,20



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

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