

Nordea

Russian Markets - Daily

July 20, 2011

RUB gained slightly	USD/RUB	28.03	▼
Taxes will cut liquidity	EUR/RUB	39.70	
Rates are near local minimums	RUB basket	33.28	▼

Hot News

- Germany and Russia will create a joint fund to support high-tech, innovative and energy efficient SMEs, said chairman of Russia's development bank VEB V. Dmitriev. The agreement to establish a fund between VEB and a German bank KfW was signed on Tuesday. /Interfax
- President Medvedev said that he will soon announce whether he will run for second term as president. /Interfax
- The Russian Statistics Agency (Rosstat) has published the monthly indicators for the Russian economy in June. Among the key - the retail sales grew 5.6% y/y (5.5% y/y in May), fixed capital investments grew 4.7% y/y (7.4% in May), and unemployment fell to 6.1% in June (6.4% in May).

Money Market

Liquidity levels decreased by insignificant 2 bn. and totaled RUB 1.176 trillion. Interbank rate are stable but coming tax payments can impact money market. Till the end of the month total amount of payments will approximately total RUB 300-400 bn. The closest payment will be today (VAT ~ RUB 150 bn.).

Central Bank is taking a pause in its monetary tightening cycle, waiting for low inflationary pressure during summer months. Some participants expect marginal deflation during August and September due to food CPI is expected to decrease. But planned budget spending will accelerate as Duma and president elections become closer and closer. It is possible that CBR can continue to use its instruments, raising reserve requirements and interest rates in order to keep annual inflation within 7% limit.

Currency Market

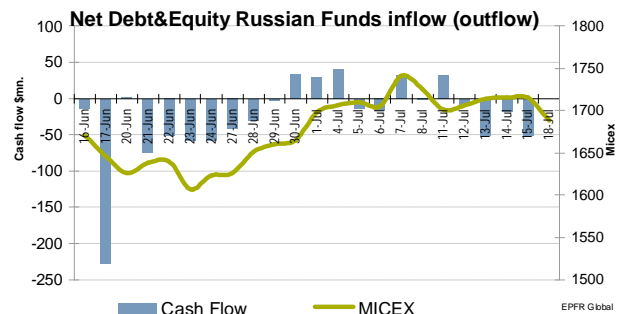
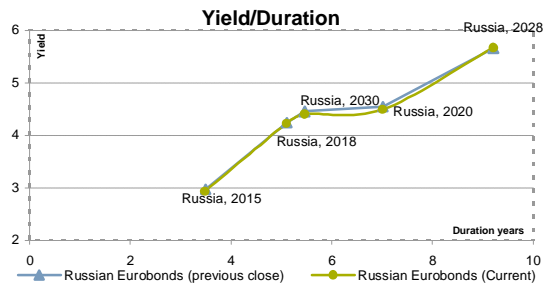
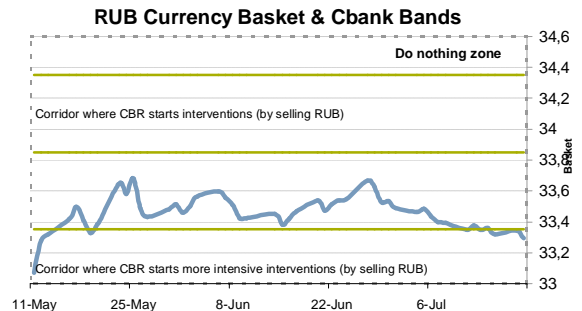
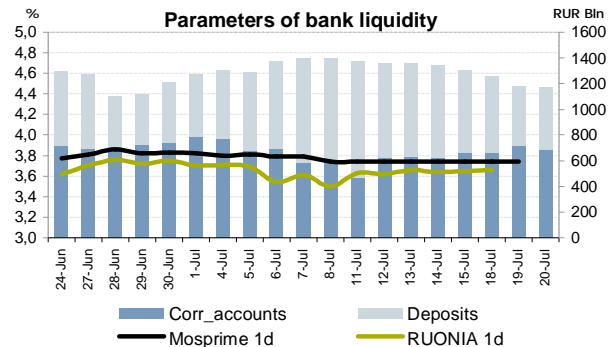
The RUB basket lost 7 kopeck, closing at 33.31. RUB continue to rise today, gaining almost 20 kopecks versus USD and staying nearly stable versus EUR. All risk aversion factors are offset by exporter's RUB purchases in anticipation of big tax payments today. Moreover commodity market supports Russian currency today. The Brent oil is marginally higher from yesterday's levels, trading at just above USD 118/bbl.

Current RUB basket level is higher than it could be without capital outflow that we saw during the first half of the year. Last month statistics could become the breaking point as long as it showed insignificant capital inflow. If this tendency will persist in coming months the fair RUB basket level, having oil prices unchanged, will be lower (first target can be RUB 32 for the basket).

Debt and Equity Markets

The Russian equity markets increased by almost 1% yesterday. Micex index found the support near 1700. RUB looks attractive, helping local market to rebound with quite good pace. Today the stocks opened higher. Debt market is stable due to relative comfortable liquidity levels and strong RUB.

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



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