

# Nordea

## Russian Markets - Daily

July 21, 2011

<b>RUB strengthened</b>	USD/RUB	27.91	▼
<b>Liquidity is lower due to taxes</b>	EUR/RUB	39.85	▲
<b>Rates can be slightly higher</b>	RUB basket	33.27	▼

### Hot News

- Consumer prices did not change in the week from 12 to 18 June. Thus, from the start of the month the prices rose 0.1% so far, from the beginning of the year - 5.1%. /Rosstat
- President Medvedev signed a law stating, among other restrictions, the prohibition on the sale of beer at night from 2013. In addition, the beer, as well as other alcohol, will not be allowed to be sold in kiosks. According to the statement, such action is necessary to reduce alcohol consumption in Russia, in line with the "Concept of state policy to reduce the abuse of alcohol and alcoholism prevention" by 2020, where the aim is to reduce alcohol consumption in Russia from the current 18 to 5-8 liters per person per year. /Lenta

### Money Market

Liquidity level decreased by 57 bn. and totaled RUB 1.118 trillion. Interbank rate are stable but show some intent to rise. Tax payments influence money market. Low inflation keeps Central Bank from monetary tightening steps. Last statistics showed that consumer prices did not change during the week from 12 to 18 June. Some participants expect marginal deflation during August and September due to food price decrease. However government spending along with inflation can accelerate later and it is possible that CBR will continue to use its instruments, raising reserve requirements and interest rates in order to keep annual inflation within 7% bound. We see interbank rates higher in the end of the year.

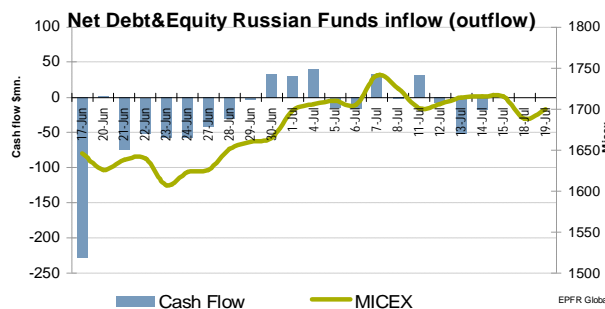
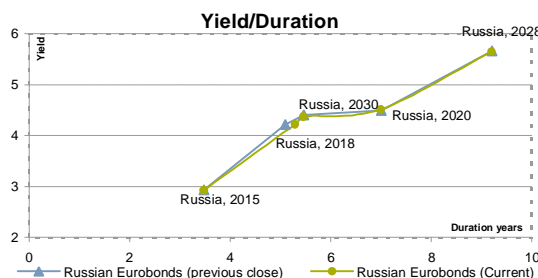
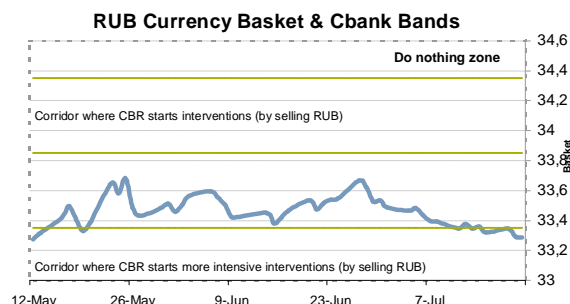
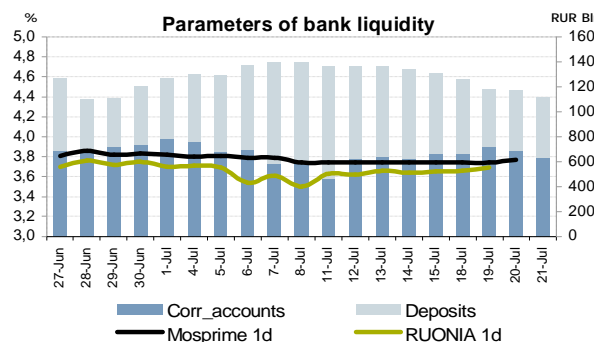
### Currency Market

The RUB strengthened by 2 kopeck against the EUR and USD basket yesterday, closing at 33.29. During the daily session the basket reached 33.24, renewing the 2-month lows. RUB gains were in line with the positive risk sentiment globally in expectation that the solution on the Greek bailout will be reached today. The oil prices rose, trading at above USD 118/bbl here in the morning. The sentiment in Asia got a cold shower from China's flash PMI, dropping below 50 for the first time since July 2010, so equities looked heavy over the night. It's a "break it or make it" day for the global markets. If the agreement from the euro zone leaders comes, we might see a relief rally, which would benefit RUB as well. The ongoing tax period in Russia will keep RUB in demand for the rest of the month, so even negative surprises from the European summit should not send the RUB basket much higher.

### Debt and Equity Markets

The Russian equity markets were flat yesterday. During last week Micex index found support at 1700. External market's uncertainty won't let local market to use its growth potential. However strong RUB will keep interest to the Russian market. Today the stocks opened higher, but this plus quickly turned into the minus.

Forwards	1m.	3m.	6m.		
USD/RUB	28,172	28,347	28,629		
EUR/RUB	40,015	40,19	40,5		
Money Market	Close	Change	Max 12m	Min 12m	
MosPrime 1M (%)	4,03	0,01	4,26	3,23	
MIBOR 1m (%)	4,38	0,01	4,49	3,81	
RUONIA 1d (%)	3,66	0,01			
Implied NDF yield 6m%	4,23	-0,085	4,39	3,17	
Debt	Close	Change	Max 12m	Min 12m	
Russia CDS 5yr	146,38	-4,12	218	119	
Eurobond Russia 30Y	4,373	-0,021	5,083	3,914	
EMBI +	582,68	0,98	582,68	533,28	
Stock Indexes	Close	Change	Max 12m	Min 12m	
RTSI	1936,54	0,54	2123,56	1385,81	
Micex	1701,37	0,07	1859,99	1334,66	
S&P 500	1325,84	-0,07	1363,61	1047,22	
DJIA	12571,91	-0,12	12810,54	9985,81	
Brent	117,85	0,03	129,43	67,20	



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