

# Nordea

## Russian Markets - Daily

July 22, 2011

<b>RUB trades at local maximums</b>	USD/RUB	27.66	▼
<b>Liquidity is under tax pressure</b>	EUR/RUB	39.92	▲
<b>Rates increased</b>	RUB basket	33.19	▼

### Hot News

- The international reserves of the Russian Federation was at USD 528.5bn as of July 15 compared to USD 526.1bn on July 8. Thus, the international reserves increased by USD 2.4bn vs a USD 600m drop the week ago. /CBR
- Russia's federal budget surplus reached 2.7%/GDP in H1. Still, the official amended budget pencils a deficit of 1-1.4%, implying the H2 will see a significant drawdown on budget funds, in line with the seasonal pattern of budget spending increase at the end of the year. /Interfax
- The upper limit for utility price increases in 2012 will be 11% or less, said the Deputy Prime Minister D. Kozak. He said also that the government is currently discussing the idea to limit tariffs of natural monopolies to inflation levels. The final decision will be taken in August, according to Kozak. /Interfax

### Money Market

Liquidity level decreased by 8 bn. and totaled RUB 1.11 trillion. Interbank rate rose slightly due to contracted liquidity level. Tax payments put a pressure on the money market. Next week this tendency will continue. However we do not expect liquidity squeeze as absolute level of liquidity is sufficient. Nevertheless overnight interbank rates can approach 4%.

### Currency Market

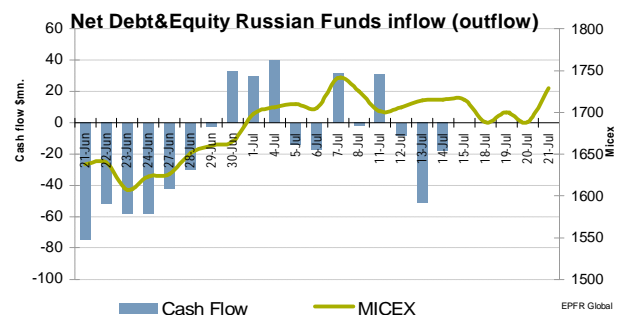
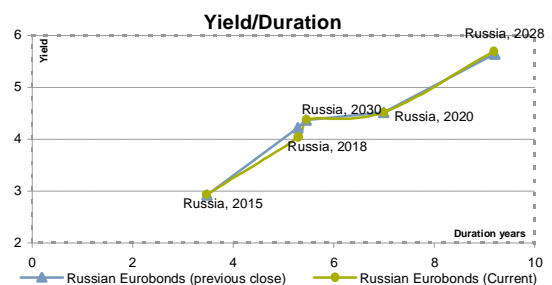
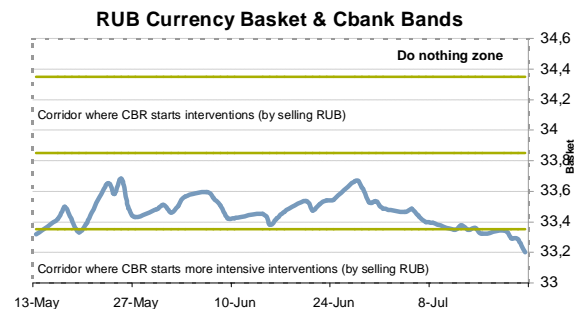
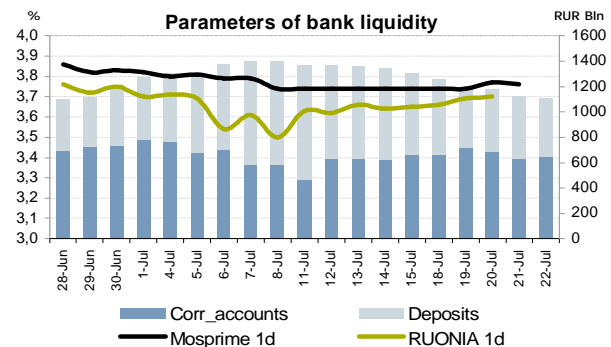
The RUB basket strengthened yesterday, finishing the day 6.5 below the previous day's close at 33.23. Toward the end of the day RUB kept strong at around 33.20.

RUB gained especially against the USD (26 kopeck), but lost to EUR (17.75 kopeck), which has been explained by the EURUSD rally after yesterday's EU summit outcome. Since the latter was positive the "risk on" mood prevailed yesterday and over the night, with all the equity markets trading high in the green zone. The Brent oil prices also keep above USD 118/bbl reflecting the positive risk appetite. Today the RUB basket opened at around yesterday's close, losing to EUR but gaining versus USD. The EU summit's outcome delivered bold measures, thus the markets should retain the positive mood. The US' solution on raising debt ceiling (Obama put a deadline for today) would benefit the market sentiment further. Thus, RUB has more room to gain against both EUR and USD, yet the balance will be determined by the EURUSD developments.

### Debt and Equity Markets

The Russian equity markets increased by significant 1.6% after EU summit outcome. Risk appetite rose which helped commodity market to rebound and supported Russian market. Brent reached USD 118/barrel when the European leaders finally agreed a new bailout of Greece. Now the main focus will be on US debt ceiling. Internal factors, like strong RUB, are also marginally positive. Today the stocks opened higher, but as for today - technical factors can resist growth.

Forwards	1m.	3m.	6m.	
USD/RUB	27,803	27,985	28,265	
EUR/RUB	39,9775	40,1675	40,71	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,03	0	4,26	3,23
MIBOR 1m (%)	4,43	0,05	4,49	3,81
RUONIA 1d (%)	3,69	0,03		
Implied NDF yield 6m%	4,32	0,09	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	145,25	-1,13	218	119
Eurobond Russia 30Y	4,372	-0,001	5,083	3,914
EMBI +	583,59	0,91	583,59	535,51
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1972,50	1,86	2123,56	1385,81
Micex	1729,00	1,62	1859,99	1334,66
S&P 500	1343,80	1,35	1363,61	1047,22
DJIA	12724,41	1,21	12810,54	9985,81
Brent	117,92	0,06	129,43	67,20



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