

Nordea

Russian Markets - Daily

July 26, 2011

RUB basket is being punched down	USD/RUB	27.56	▼
Liquidity is under tax pressure	EUR/RUB	39.91	▲
Interbank rates grew up	RUB basket	33.12	▼

Hot News

- The state role in the economy should be reduced, according to the report formed by the government expert group sent to President Medvedev. The report recommends to fully privatize state-owned and partially four more companies by 2017. It is suggested that "Rosneft", "RusHydro", "Zarubezhneft" and the United Grain Company (UGC) should keep the "golden share". But the state should fully privatize "Rosneft", VTB, "RusHydro", "RAO", "Sovkomflot", "Sheremetyevo", "Aeroflot", among others. /Vedomosti
- JSC "E. ON Russia", controlled by the German E. ON, increased the investment program by 12.8% - from RUB 97bn to RUB 109.4bn. The estimate was raised in connection with the specification of the cost of the construction project on the block of Bereza power plant. /Reuters

Money Market

Liquidity volume decreased more than RUB 185 million and totaled less than RUB 0.9 trillion. The main reason of this squeeze is the period of tax payments. The volume of tax payments is about RUB 450 billion. Interbank rate grew up than stabilized around 4%. Government bonds additional issue can increase some pressure over liquidity tomorrow.

Currency Market

The RUB strengthened further yesterday, falling 7 kopeck during the day and finishing at 33.16, renewing the May lows. RUB gained 1.5 kopeck against the USD and 11.5 kopeck against the EUR. The US debt ceiling discussions continue - yesterday's Obama's address to the nation was not consoling at all, as he warned that the impasse would cause serious damage to the economy. In absence of relevant macro news these talks remain in focus. The Asian markets rose over the night, the Russian equities opened a bit higher and the Brent oil was trading at above USD 118/bbl, thus the markets are not in panic over the US situation as they were last week over the euro area's. We expect the positive outcome of the US debt negotiations (deadline August 3), and that should help further boost the risk appetite in the markets. The RUB kept strong yesterday despite prevailing negative moods, and opened even stronger today, trading at 33.14 in the first minutes of the session. We will soon target 33.00 again. Increasing demand for RUB domestically - not only tax related, but consumption related (credit) - should keep RUB on the strengthening trend.

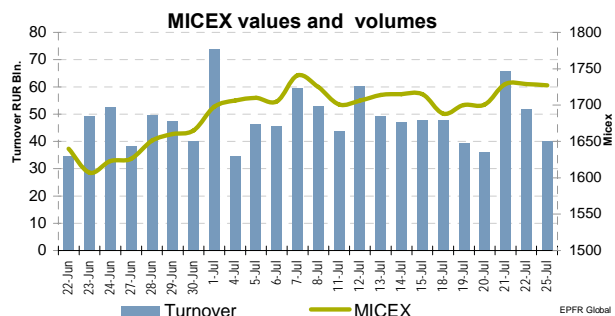
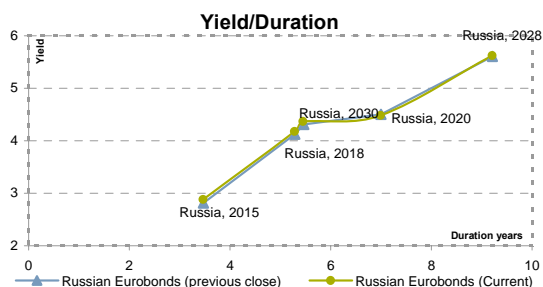
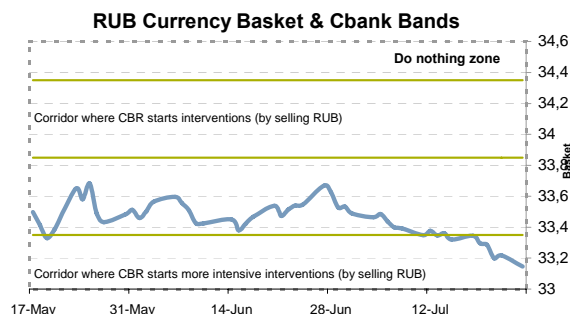
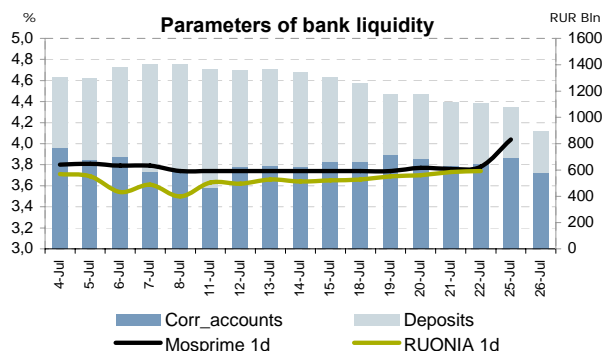
Debt and Equity Markets

Securities traded with no explicit trend most part of the previous day. Oil price slightly decreased, gold reached record high price. MICEX index lost 0.11% to the end of the day. We can see high volatility on the local market as a result of global events pressure vs. high oil price counteraction. We do not expect significant markets movement today.

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Forwards	1m.	3m.	6m.	
USD/RUB	27,661	27,84	28,118	
EUR/RUB	40,0105	40,1988	40,4948	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,06	0,01	4,26	3,23
MIBOR 1m (%)	4,42	0,01	4,49	3,81
RUONIA 1d (%)	3,73	0,03		
Implied NDF yield 6m%	4,37	0,075	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	144,13	1,13	218	119
Eurobond Russia 30Y	4,37	0,02	5,083	3,914
EMBI +	583,63	-0,97	583,63	539,22
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1979,54	0,14	2123,56	1385,81
Micex	1726,93	-0,11	1859,99	1334,66
S&P 500	1337,43	-0,56	1363,61	1047,22
DJIA	12592,80	-0,70	12810,54	9985,81
Brent	117,95	0,09	129,43	67,20



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