

# Nordea

## Russian Markets - Daily

July 29, 2011

|                                    |            |       |   |
|------------------------------------|------------|-------|---|
| <b>RUB below 33.00</b>             | USD/RUB    | 27.59 | ▲ |
| <b>Liquidity decreased further</b> | EUR/RUB    | 39.60 | ▼ |
| <b>Equities open lower</b>         | RUB basket | 32.99 | ▼ |

### Hot News

- The international reserves of the Russian Federation as of July 15, 2011 were at USD 530.9bn. Thus, this week the international reserves increased by USD 2.4bn, just as the week before. /CIBR
- Russia will likely complete the talks on entry to the World Trade Organization (WTO) by Dec. 14-16, said the key negotiator M. Medvedkov. /Reuters
- Energy Minister S. Shmatko confident that the introduction of export duties on oil and petroleum 60/66 will start to work in the near future. It involves a uniform duty for light and heavy oil products of 66% of the duty on crude oil. Already in 2011. /Interfax
- The head of the Shell, P. Voser said that Shell is exploring opportunities in Russia for new projects. "Russia is important to us," - said P. Voser. He added that negotiations with the Russian government and "Rosneft" are still at a very early stage. /Interfax

### Money Market

Affected by tax payments the liquidity remains below RUB 1 trillion. Over the last day the liquidity decreased by roughly RUB 40bn. Yesterday the ON Mosprime jumped nearly 1% point, and even the 3M Mosprime edged up 5 bp, reflecting the reduction of liquidity. The bank liquidity in the deposit accounts is especially low at RUB 121.5bn as of 29 July, suggesting that the current deposit rate level is not sufficient to attract the bank reserves. As the previous days' statistics showed, banks are increasing lending at a high rate now, which has led to acceleration in M2 and deceleration in M0 growth. This implies that the Central Bank will have to consider resuming monetary policy tightening before long.

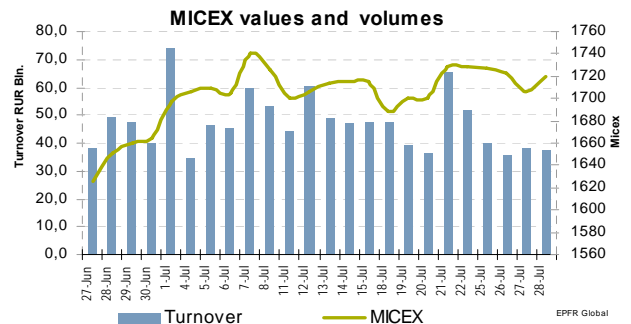
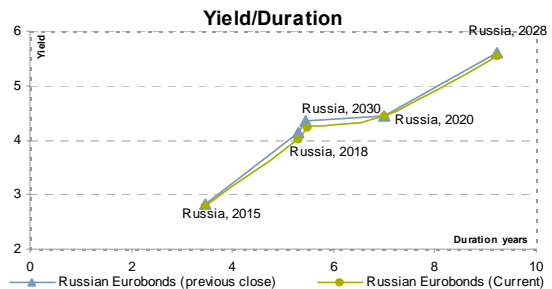
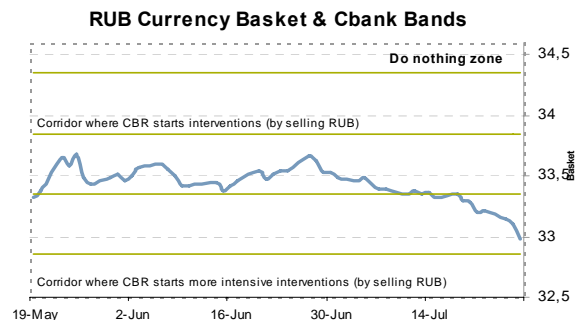
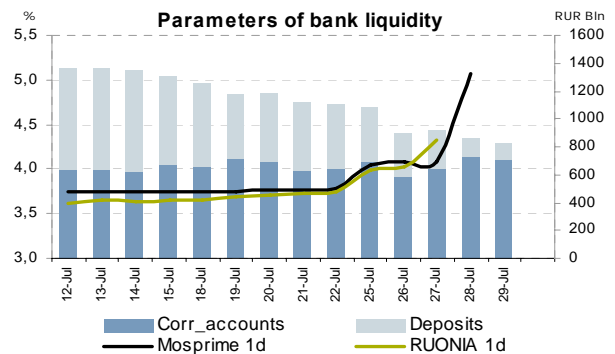
### Currency Market

The RUB remained strong yesterday, gaining a further 1 kopeck against the EUR and USD basket and closing at 32.955. During the daily session the RUB basket fell to new lows of 33.90. RUB lost 7.7 kopeck against the USD, but gained 11.5 against the EUR. Tonight the risk sentiment deteriorated, as the US debt ceiling vote failed and Moody's warned of a potential downgrade of Spain. The Russian equities gapped down on the opening. Nevertheless the RUB remains strong, as reduction in domestic liquidity matters more and as the Brent oil prices remain at a pretty high level about USD 117.5/bbl. The RUB opened lower, reaching 32.86 in the first minutes of the daily session and remaining below the key level of 33.00. We expect further gain in RUB, yet as the US and euro area compete in the "who is less ugly" one should rather bet for RUB basket gains rather than development of USD or EUR legs individually, as the latter will be affected by the EUR/USD volatility in the coming days.

### Debt and Equity Markets

The Russian equity market after a gap down on the opening yesterday managed to rise in the second part of the day, as MICEX index gained 0.83% and RTS rose 0.45% compared to the previous day's close. The Russian sovereign bonds also kept strong: the yield of the benchmark Russia-30 dropped by 7 basis points for the day and the spread toward US Treasuries narrowed by 5 basis points. Today the Russian equities open lower, reflecting the negative sentiment on the global markets.

| Forwards              | 1m.      | 3m.     | 6m.      |         |
|-----------------------|----------|---------|----------|---------|
| USD/RUB               | 28,082   | 28,269  | 28,549   |         |
| EUR/RUB               | 39,575   | 40,4475 | 40,75    |         |
| Money Market          | Close    | Change  | Max 12m  | Min 12m |
| MosPrime 1M (%)       | 4,17     | 0,1     | 4,26     | 3,23    |
| MIBOR 1m (%)          | 4,55     | 0,03    | 4,55     | 3,81    |
| RUONIA 1d (%)         | 4,02     | 0,04    |          |         |
| Implied NDF yield 6m% | 4,35     | -0,02   | 4,39     | 3,17    |
| Debt                  | Close    | Change  | Max 12m  | Min 12m |
| Russia CDS 5yr        | 139      | -4      | 218      | 119     |
| Eurobond Russia 30Y   | 4,139    | -0,19   | 5,083    | 3,914   |
| EMBI +                | 588,51   | 2,35    | 588,51   | 540,38  |
| Stock Indexes         | Close    | Change  | Max 12m  | Min 12m |
| RTSI                  | 1985,11  | 0,45    | 2123,56  | 1385,81 |
| Micex                 | 1720,38  | 0,83    | 1859,99  | 1334,66 |
| S&P 500               | 1300,67  | -0,32   | 1363,61  | 1047,22 |
| DJIA                  | 12240,11 | -0,51   | 12810,54 | 9985,81 |
| Brent                 | 117,50   | -0,21   | 129,43   | 67,20   |



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