

Nordea

Russian Markets - Daily

August 01, 2011

RUB gained	USD/RUB	27.52	▼
Liquidity is still squeezed	EUR/RUB	39.63	▼
Rates are on the high level	RUB basket	32.97	▲

Hot News

- Russia's agrochemicals producer EuroChem secured a USD 1.3bn pre-export finance term loan facility on Friday, which was greatly oversubscribed. The loan will be the largest bank debt financing in the chemical industry in Central and Eastern Europe since 2009. EuroChem will use 1/3 the loan to refinance a syndicated loan taken in 2008 and for financing EuroChem's investment programme and possible M&A deals.
- Market watch Russia's long term gross external debt has increased by USD 18.8bn in Q1, which was mainly a result of building up long-term debt by the corporate private sector. /CBR
- The government approved the import tariff quotas for meat in 2012. Quotas on imports of poultry and pork will be reduced (by 28.5% and 32% respectively), the import of beef will remain unchanged. Question about importing pork is one of the sensitive negotiations with the United States in the accession process of the Russian Federation to the WTO - that Moscow and Washington are "substantial differences", the head of the Ministry of Economy Nabiullina declared on July 18. But on July 22 Prime Minister Putin said that the Russian Federation is ready to review the level of trade restrictions. /Kommersant

Money Market

Taxes payment period is over, but the money market is still nervous – there is a RUB-liquidity deficit. Rates intraday fluctuations were peaking 5%. We expect this day to look like Friday, but MM stabilization is expected this week.

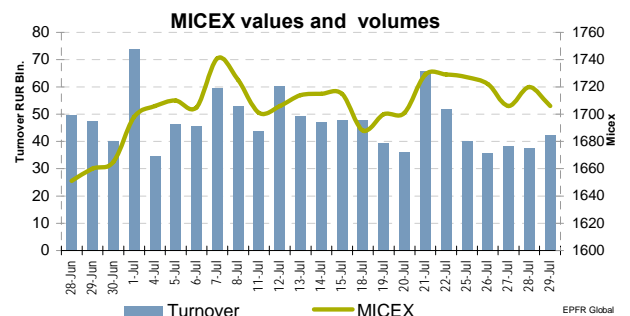
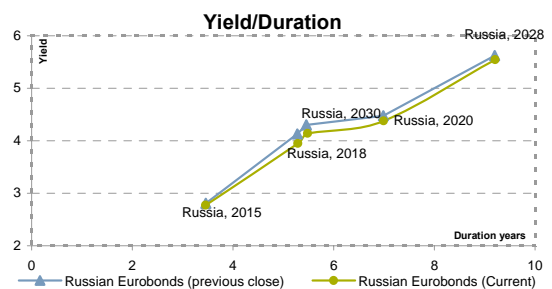
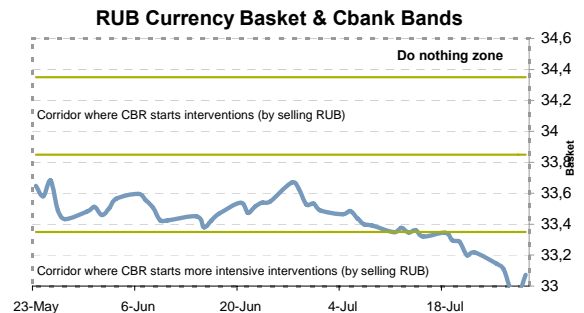
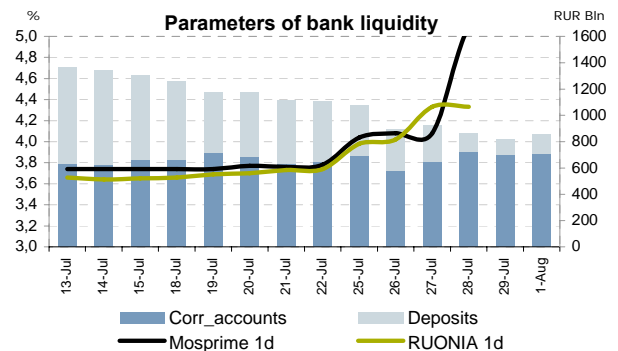
Currency Market

The RUB basket rose on Friday, closing at 33.05, which was 9.6 higher compared to the previous day's close. The RUB temporary retreat could be explained with the broad risk aversion dominating the markets, and the weekend ahead with the uncertainty over the US debt ceiling negotiations. The agreement was reached, and the markets jumped in a rally following it - the S&P futures rose 1.5%, the Brent oil prices jumped 2 USD, trading above USD 118/bbl here in the morning. The Russian equities gapped up, and, no surprise, RUB opened stronger, trading at around 32.96 in the first minutes of the daily session. The US and euro area's debt problems will not disappear despite the recent "technical" solutions to avert crisis, thus RUB should be able to gain ground against both EUR and USD, provided that the risk aversion remains broadly contained. Moreover, increasing lending domestically will continue squeeze RUB liquidity, prompting the RUB interest rates to rise and attracting foreign investors.

Debt and Equity Markets

MICEX Index dropped 0.88% - finished on 1705.18. Global markets pessimism and low oil prices pressed our local market. Positive mood is on the market in the morning, thanks to the USA debt compromise. Blue chips demonstrate about 2% rise to the closing quote. Oil price growth vs. euro zone & USA weakness will influence the market. USA labor figures are on the spotlight on Friday.

Forwards	1m.	3m.	6m.	
USD/RUB	27,69	28,277	28,145	
EUR/RUB	40,4	40,6	40,89	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,18	0,01	4,26	3,23
MIBOR 1m (%)	4,55	0	4,55	3,81
RUONIA 1d (%)	4,33	0,31		
Implied NDF yield 6m%	4,33	-0,02	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	140	1	218	119
Eurobond Russia 30Y	4,139	0	5,083	3,914
EMBI +	591,02	2,51	591,02	540,94
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1965,02	-1,01	2123,56	1385,81
Micex	1705,18	-0,88	1859,99	1334,66
S&P 500	1292,28	-0,65	1363,61	1047,22
DJIA	12143,24	-0,79	12810,54	9985,81
Brent	118,14	0,54	129,43	67,20



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