

Nordea

Russian Markets - Daily

August 02, 2011

RUB is under pressure	USD/RUB	27.80	▲
Liquidity is stabilizing	EUR/RUB	39.55	▼
Rates are decreasing	RUB basket	33.02	▲

Hot News

- The Russian ruble has a real opportunity to become a regional reserve currency, according to Prime Minister Putin. "The world should have other reserve currencies - the ruble could become a regional currency, it is quite possible" - he said. Some of the advantages of the ruble, Putin noted, are that "the ruble enough, stable, reliable, freely convertible currency, unlike the Chinese yuan...Even in the crisis of 2009 we went to the restrictions on the export of capital...Yes, we lost some gold reserves, but the reputation is more important" - said Putin. /Interfax
- Government approved the sale of 75% minutes two shares in First Cargo Company, which is a wholly-owned subsidiary of Russian Railways, at a public auction in a single lot. According to the government's statement the bidders in the action should be Russian, non-state companies which have experience in railway transportation. Moreover, potential investors should have had no losses or overdue debts in 2009 and 2010, as well as own over 15000 cars. /Marketwatch
- Rosneft said it plans to keep production growing at 1% per year or more for the next five years. Commenting on the government's plan to introduce "60-66" export duty regime to stimulate crude output and refinery upgrades Rosneft's First Vice President P. Fyodorov said there was "not much visibility" about when it would be implemented. /Reuters

Money Market

Stabilization is coming into Russian money market. Today is a second day of slight liquidity in flow – we expect liquidity growth in the nearest days. Overnight rate was 0.75% down yesterday. Liquidity stabilization will cause interest rates drop.

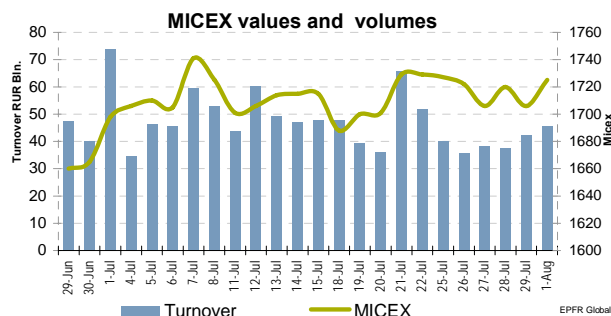
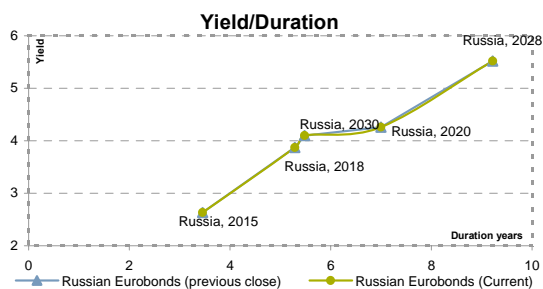
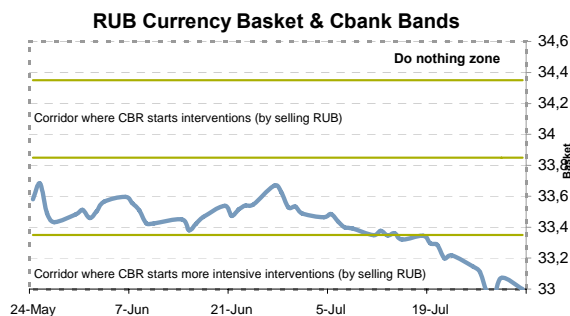
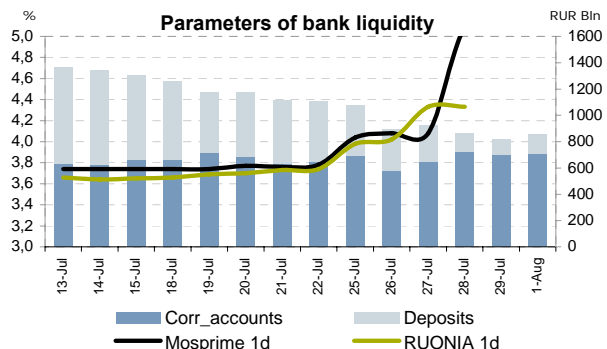
Currency Market

The RUB basket rose 1.7 kopeck compared to the previous day's close, finishing the day at 33.07. RUB held strong in the first part of the day, but lost ground later as the risk sentiment worsened in the global markets and following a sharp USD strengthening after the negative US ISM report came out. The Brent oil prices dropped USD 2, trading at USD 116.70/bbl here in the morning. The markets are risk averse, with the US equity futures trading negative and Asian stocks ex. Japan dropped 1.6%. Now that the US has reached the agreement about the debt ceiling the markets start to remember the euro area problems and think about the potential US downgrade. This is not a good setting for RUB, yet the basket started relatively strong, trading at just above yesterday's close levels.

Debt and Equity Markets

Positive news regarding USA debt problems pushed Russian stock market up yesterday morning. MICEX Index was 1.17% up – reached 1725,1, blue chips growth was ~2%. Despite that, weak USA statistic figures drove global markets into red in the evening - we expect correction today. Russia Eurobonds prices grew up on Monday as a result of global markets optimism, as well as UST – so governments bonds' spreads are still the same.

Forwards	1m.	3m.	6m.	
USD/RUB	28,177	28,354	28,31	
EUR/RUB	39,688	39,8775	40,18	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,19	0,01	4,26	3,23
MIBOR 1m (%)	4,58	0,03	4,58	3,81
RUONIA 1d (%)	4,33	0		
Implied NDF yield 6m%	4,315	-0,015	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	140,67	0,67	218	119
Eurobond Russia 30Y	4,1	-0,039	5,083	3,914
EMBI +	594,69	3,67	594,69	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1985,78	1,06	2123,56	1385,81
Micex	1725,10	1,17	1859,99	1334,66
S&P 500	1286,94	-0,41	1363,61	1047,22
DJIA	12132,49	-0,09	12810,54	9985,81
Brent	116,44	-1,44	129,43	67,20



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