

Nordea

Russian Markets - Daily

August 03, 2011

RUB basket is growing	USD/RUB	27.88	▲
Money market is stabilizing	EUR/RUB	39.56	▲
	RUB basket	33.02	▲

Hot News

- President Medvedev approved the cabinet report on expansion of the large-scale privatisation programme. According to the report the state should fully privatise Rosneft, VTB, Rushydro, Zarubezhneft, OZK, Inter RAO, Sovcomflot by 2017. First Deputy Prime Minister I. Shuvalov said the President has consistently stressed that privatization should take place transparently, it should be totally open and should be designed professionally, with the assistance of financial and investment advisors. /Interfax
- Fitch Ratings improved the outlook for "Gazprom" to "positive" from "stable", affirming the rating of BBB. The report notes that the change in outlook on the ratings of "Gazprom" reflects the strengthening of financial performance in 2010 and expectations of further improving credit metrics in 2011-2012, as well as improving the conditions of the gas market for export and domestic sales. /Vedomosti
- The Russian government approved amendments to the Law "On Mortgage Securities," aimed at improving the efficiency of the securitization of mortgage assets, said the head of the Federal Service for Financial Markets (FSFM) D. Pankin. Pankin said the amendments to the Act will be introduced to the Duma in the autumn session, and expressed the hope that they will be adopted and come into force next year. /Interfax
- Russia's energy giant Lukoil admitted setting monopolistically high prices on fuel and intends to eliminate the violations, said Deputy Head of Federal Antimonopoly Service (FAS) A. Golomolzin. /Interfax
- President Dmitry Medvedev criticised Russia's slow progress in scrapping administrative barriers to foreign investment. "We have been fighting on and on against administrative barriers, but new ones keep cropping up again and again" Medvedev told in a meeting of government officials tasked with aiding businesses at his Black Sea residence in Sochi. /Reuters

Money Market

MM is settling down, thanks to liquidity inflows and high commodities prices. Overnight interest rates dropped to 4%. Liquidity volume is stabilizing. Central Bank's committee of directors meeting is planned this week, we do not expect significant changes for MM-policy.

Currency Market

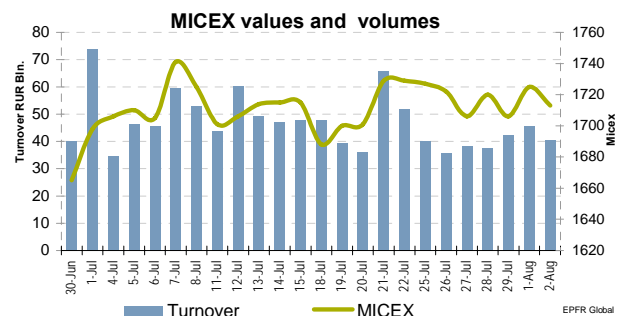
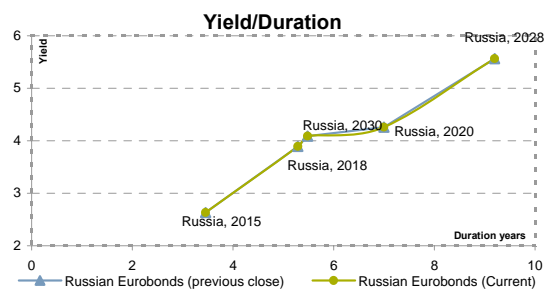
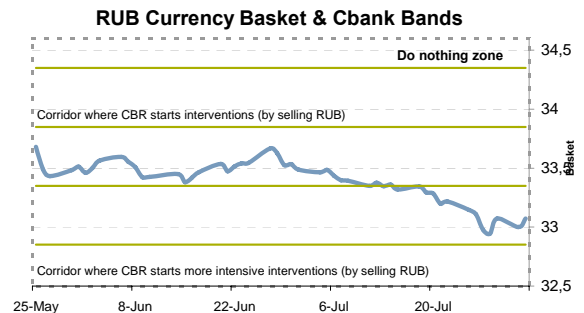
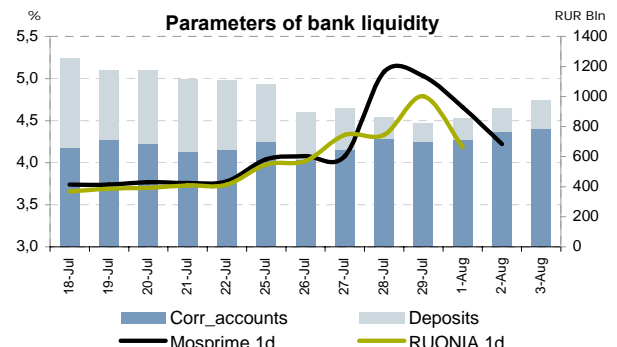
The RUB basket rose just 2 kopek, finishing the daily session at 33.09. RUB remained unchanged to USD, at 27.8, and rose 4.75 kopeck to EUR. In light of the market sentiment yesterday the RUB held really strong - it did not react to a sharp 3% fall in the oil prices following the negative US macro news on Friday. Despite the US debt agreement and rating agencies reaffirming US ratings tonight the markets continued to bleed, as the US equities lost over 1% during the night and Asia dropped nearly 2%. The negative macro news add to the pessimism - if Friday's US non-farm payrolls come out bad, then it will further increase risk aversion in the markets. RUB is relatively safe, as seen from the recent development, supported by decreasing domestic liquidity, yet a more pronounced fall in oil would no doubt hurt (although this is not our baseline scenario).

Debt and Equity Markets

Stock market was under correction on Tuesday due to the disappointing macro statistic not only from the USA, but from China as well. As a result we see MICEX Index dropped on 0,69% - till 1713.25. Meanwhile high oil price (it is still expensive) provided local market with some support. Russian government Eurobonds quotations showed decrease in the first half of Tuesday, and then fully won it back; UST tangible growth caused spreads widening. Sovereign ratings changes and macro-statistics will run the markets in short term period.

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Forwards	1m.	3m.	6m.	
USD/RUB	28,236	28,406	28,678	
EUR/RUB	40,1	40,2875	40,6025	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,19	0	4,26	3,23
MIBOR 1m (%)	4,57	-0,01	4,58	3,81
RUONIA 1d (%)	4,79	0,46		
Implied NDF yield 6m%	4,22	-0,095	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	142,25	1,58	218	119
Eurobond Russia 30Y	4,039	-0,061	5,083	3,914
EMBI +	597,75	3,06	597,75	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1968,14	-0,89	2123,56	1385,81
Micex	1713,25	-0,69	1859,99	1334,66
S&P 500	1254,05	-2,56	1363,61	1047,22
DJIA	11866,62	-2,19	12810,54	9985,81
Brent	116,16	-0,24	129,43	67,20



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