

Nordea

Russian Markets - Daily

August 04, 2011

RUB is under pressure	USD/RUB	27.90	▲
Central Bank left key interest rates on hold	EUR/RUB	39.74	▼
	RUB basket	33.23	▲

Hot News

- Introduction to cut-off price of oil and gas revenues for the formation of the Reserve Fund will not happen before 2015, said Deputy Finance Minister T. Nesterenko. According to her, specific approaches to determine the level of stability of oil and gas will still be discussed. /Interfax
- During the period from July 26 to August 1 2011 consumer prices fell by 0.1%, which was lower than the 0.1% rise the week before and the first weekly decline since August 2009. Since the beginning of the year the consumer prices rose 5% so far. The decline in prices recently has been driven by drop in food prices. /Rosstat
- Central Bank First Deputy Chairman G. Melikyan has resigned. He was in charge of the Central Bank issues bank supervision. "I think the time has come," - he said, refusing to comment further. Banking supervision was sharply criticized after several scandals in bank sector and problems identified in Bank of Moscow. /Interfax

Money Market

Interest rates are still decreasing: interbank lending provided money market with liquidity by the rates 3.8-4.2%, REPO – by 4.0-4.2%. Liquidity volume is growing – even exceeded "comfortable" level of 1 bln. RUB. We forecast MM to be still till the third decade of this month. Central Bank left key interest rates on hold.

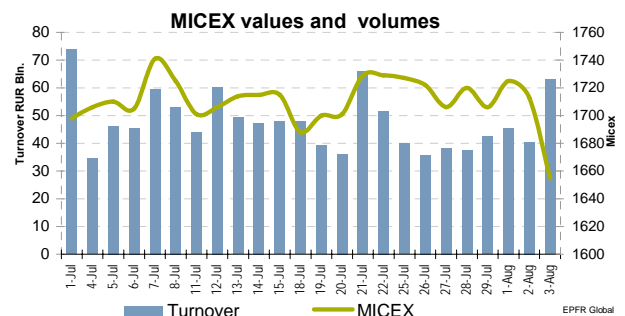
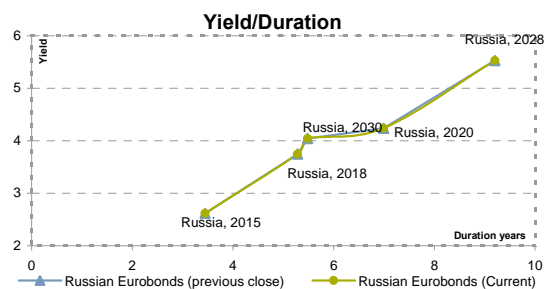
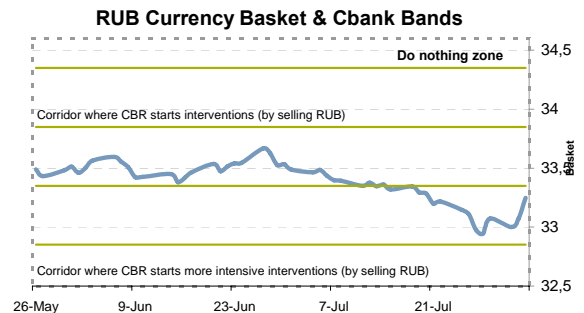
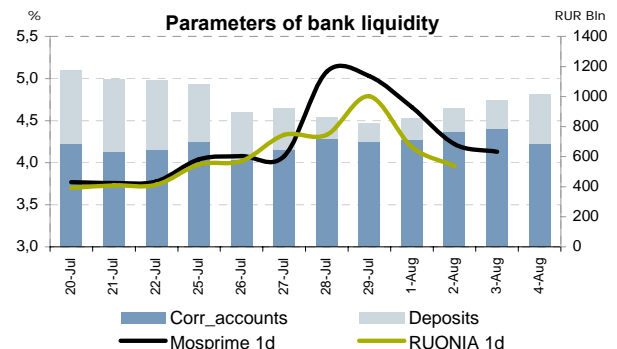
Currency Market

The RUB basket rose 18 kopeck yesterday, finishing the day at 33.27, which was 18 kopeck higher than the previous day's close. RUB lost especially against the EUR - 30.5 kopeck. The rise can be explained by a sharp sell off in the global markets, which also made domestic market crash - the Russian equity market dropped over 3% yesterday. To make things worse, the oil prices dropped further. The Brent oil traded at just above USD 113/bbl here in the morning, which is off peaks of USD 118/bbl seen earlier this week. Negative macro data from the US and the rest of the world may fuel further oil price decreases. This is not our baseline scenario, however, - we still expect oil to finish just below USD 120/bbl this year. And the levels above USD 100/bbl are sufficient for the Russian economy to keep momentum. So far strong credit growth in Russia suggests the economy is more domestically driven now. Tonight the Asian markets were mixed and it seems that the markets may rebound a bit. Yesterday's hints from Fed on potential QE3 helped. The Russian equities opened higher. The RUB also opened a few kopeck stronger against the basket.

Debt and Equity Markets

Whole previous day stock market was under pressure of external negative information and low oil prices. As a result RTS Index was 3.37% down – till 1901.73, MICEX Index - 3.38% down till 1655.36, the most part of blue chips lost 2.5-5%. We do not expect prices landslide today, labor market figures (tomorrow) and FRS meeting (on Aug 09) will be the key driving factors for the market.

Forwards	1m.	3m.	6m.	
USD/RUB	27,991	28,175	28,448	
EUR/RUB	39,939	40,147	40,449	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,18	-0,01	4,26	3,23
MIBOR 1m (%)	4,53	-0,04	4,58	3,81
RUONIA 1d (%)	4,19	-0,6		
Implied NDF yield 6m%	4,295	0,075	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	146,5	4,25	218	119
Eurobond Russia 30Y	4,039	0	5,083	3,914
EMBI +	598,99	1,24	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1901,73	-3,37	2123,56	1385,81
Micex	1655,36	-3,38	1859,99	1334,66
S&P 500	1260,34	0,50	1363,61	1047,22
DJIA	11896,44	0,25	12810,54	9985,81
Brent	113,02	-2,70	129,43	67,20



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