

Nordea

Russian Markets - Daily

August 05, 2011

RUB basket is growing	USD/RUB	28.36	▲
Money market is stable	EUR/RUB	39.95	▲
Stock market is under pressure	RUB basket	33.59	▲

Hot News

- The Central Bank of Russia (CBR) decided to leave the key interest rates unchanged, as widely expected. The reserve requirements were also left unchanged. The bank quoted the risks to economic growth and a slowdown in headline inflation - from 9.4% y/y in June to 9.0% in July, which, as the statement noted, is primarily due to food price developments. /CBR
- The CBR's international reserves increased by USD 4.1bn over the week ending July 29, standing at USD 535bn at the end of the period. /CBR
- The deficit will fit into the 2012 budget plan, amended in May, said the head of the Audit Chamber S. Stepashin at a meeting with President Medvedev. Yet he stressed that inefficiency of public expenditure remains a concern. Stepashin also voiced his concern that the authorities may not be able to bring inflation back to the official target range of 6.5-7.5%. /Interfax

Money Market

Situation on money market is stable. Interest rates are still decreasing, liquidity is growing. Liquidity inflow caused by FX market trends: USD growth (over 28 RUB) and export revenue sales as a result. Placement for Russian Central Bank bills failed – short-term government securities are not popular at the moment. We see the situation comfortable in the nearest future.

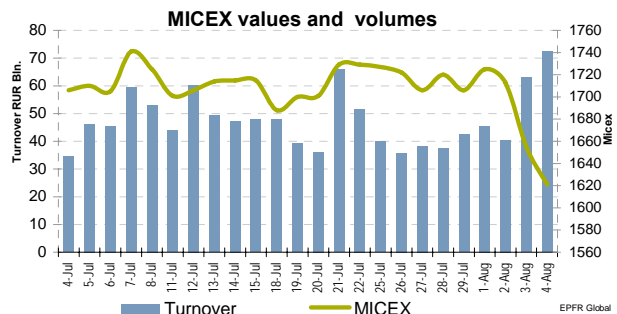
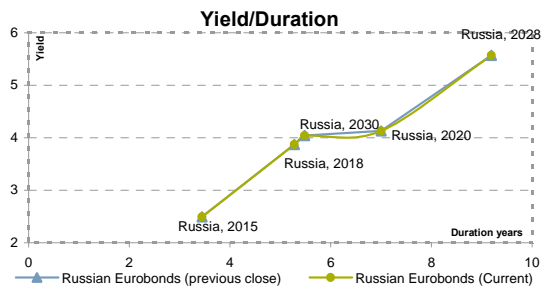
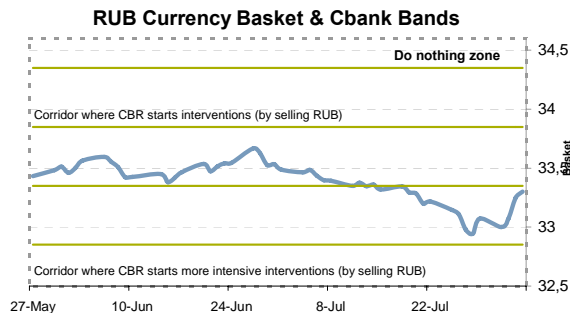
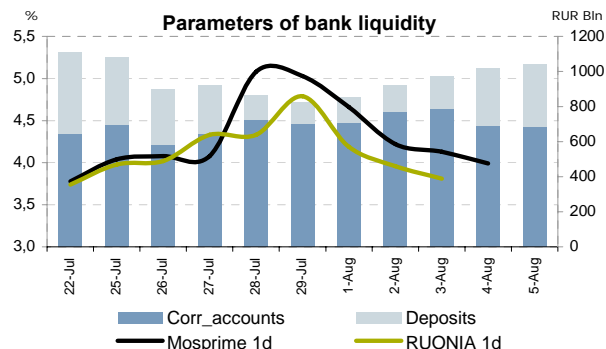
Currency Market

The RUB basket rose to the two week highs, closing at 33.33, which was 6 kopeck higher than the previous day's close. RUB lost 20 kopeck to USD, but gained 11 kopeck to EUR. In view of the sell off mode in the global markets the RUB held surprisingly strong: all 18 major European stock indices fell - even German stocks lost over 3%, Russian equity markets over 2%, S&P lost 4.8% tonight and Asian equities dropped over 2%. These are largest drops since autumn 2008. Today the markets are looking sour as well, as stock futures are well in the red. The Brent oil prices were trading at USD 107.4/bbl, which is over USD 10 lower than earlier this week. The risk aversion is related to the concerns that the global growth will stall, as also pointed out by yesterday's Trichet's comment of "particularly high" uncertainty. The CBR yesterday also left the monetary policy parameters unchanged due to this. Today's US' non-farm payrolls may further exacerbate these expectations. Reflecting the market situation the RUB basket opened 20 kopeck higher.

Debt and Equity Markets

Russian stock market is still under pressure of global markets' negative: MICEX Index dropped 2.1% - to the level 1620.68, RTS Index - 2.42% down, till 1855.69. There was decrease tendency in stocks of all the industries. Government Eurobonds prices grew up following UST, spread widened to 143 bp. There was a calm trading day yesterday, stock market failure and currencies basket growth provided bonds market with support. Further spread widening is expected as a result of risk aversion process. Decreasing trend is expected today due to the global markets correction and decreasing oil price.

Forwards	1m.	3m.	6m.	
USD/RUB	28,258	28,439	28,728	
EUR/RUB	39,8975	40,1075	40,425	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,19	0,01	4,26	3,23
MIBOR 1m (%)	4,51	-0,02	4,58	3,81
RUONIA 1d (%)	3,96	-0,23		
Implied NDF yield 6m%	4,33	0,035	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	155,75	9,25	218	119
Eurobond Russia 30Y	4,074	0,035	5,083	3,914
EMBI +	596,35	-2,64	597,75	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1855,69	-2,42	2123,56	1385,81
Micex	1620,68	-2,10	1859,99	1334,66
S&P 500	1200,07	-4,78	1363,61	1047,22
DJIA	11383,68	-4,31	12810,54	9985,81
Brent	107,29	-5,07	129,43	67,20



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