

Nordea

Russian Markets - Daily

August 08, 2011

RUB basket is higher	USD/RUB	28.48	▲
Money market is stabilizing	EUR/RUB	40.41	▲
Stocks touched minimums	RUB basket	34.09	▲

Hot News

- Russia does not plan to make any immediate adjustments to its dollar-denominated gold or foreign exchange reserves following Standard & Poor's downgrade of the United States' triple-A credit rating. "In the short-term this will not affect us," the agency quoted First Central Bank Deputy Sergei Shvetsov as saying on Saturday. Asked if the downgrade would affect Russia's holdings over the medium and long term, Shvetsov declined to answer.
- Russia's foreign trade surplus rose to \$107.0 billion in the first six months of 2011 from \$94.4 billion in the same period a year ago, the Federal Customs Service said on Friday.
- Shareholders of Russia's benchmark RTS stock exchange approved a merger with rival MICEX in a nearly unanimous vote on Friday, with consolidation of the new unified bourse expected to be finalized by the year-end. An RTS spokeswoman told Reuters that, "99.77 percent of (RTS) shareholders have voted for the merger and agreed on all points on the agenda, including dividends." The next step for two exchange platforms is to seek approval from the Federal Antimonopoly Service (FAS), an RTS spokeswoman said.
- Russia's government will consider the country's three year-debt policy at its meeting on Thursday, the business daily Vedomosti reports on Monday. The policy, disclosed a month ago, envisages that Moscow will borrow \$21 billion on external markets in 2012-2014.

Money Market

Situation on money market is stabilizing after turmoil in the end of last month. Interest rates are still decreasing, but almost reached its local minimums. Last week the Central Bank of Russia decided to leave the key interest rates unchanged, as widely expected. The main reasons are inflation slowdown from 9.4% y/y in June to 9.0% in July and anticipation of August deflation due to food price decrease. July liquidity squeeze also kept CBR from reserve requirements tightening. However interest rates upward trend will continue.

Currency Market

The RUB basket rose sharply to the year maximums, trading slightly higher 34 on the today's opening. Risk aversion mode is the main factor. Market sentiment turned into more negative territory after S&P cut the U.S. rating by a notch to AA-plus from AAA. Along with commodity market, RUB trades under the severe pressure. However current turmoil can be temporal. Brent oil prices at 107 still enough for RUB to stay relative strong. Of course, risk aversion can lead to capital outflow from EM region but this tendency can appear to be short-lived. The major focus of current week is FOMC meeting. Technically 34.5 can be a resistance line for the basket. Central Bank «do-nothing zone» is 34.25-35.25.

Debt and Equity Markets

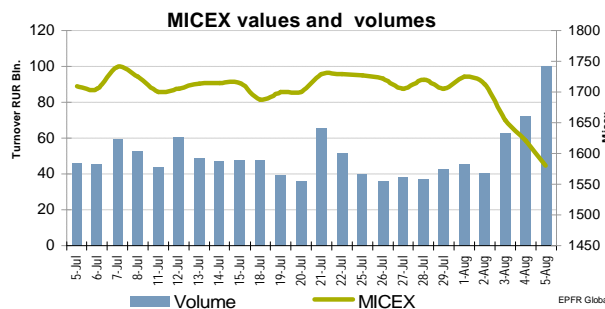
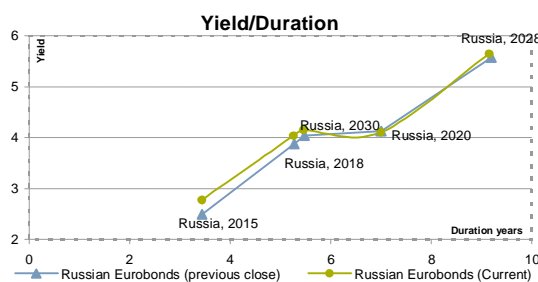
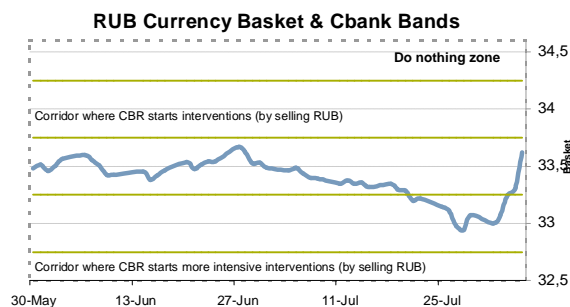
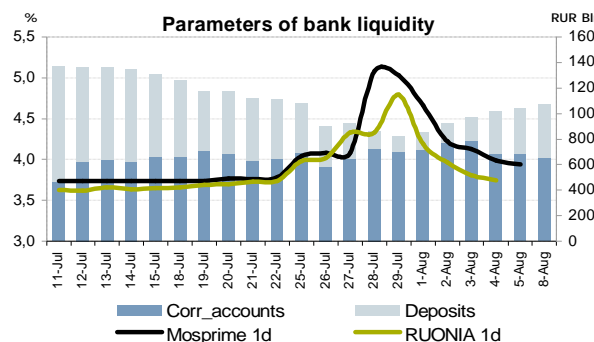
During Friday's session MICEX index decreased 2.08% down. Blue chips lost about 2.5-3%. During the last week MICEX index lost 6.9%. Russia Eurobonds prices dropped significantly during Friday's session as a result of global markets pessimism. Oil prices fall heavily.

Today Russian stock market is under the pressure of S&P agency decision. Russia's benchmark dollar-denominated RTSI index fell 3.3% and touched a year low. However market is trying to rebound and morning negative gap has been already half-filled. Fed meeting can bring some fresh ideas tomorrow.

Dmitry Savchenko +7 495 7773477
Aurelija Augulyte +45 3333 6437

Dmitry.Savchenko@nordea.ru
Aurelija.Augulyte@nordea.com

Forwards	1m.	3m.	6m.	
USD/RUB	28,096	28,276	28,57	
EUR/RUB	40,196	40,406	40,741	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,19	0	4,26	3,23
MIBOR 1m (%)	4,5	-0,01	4,58	3,81
RUONIA 1d (%)	3,81	-0,15		
Implied NDF yield 6m%	4,315	-0,015	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	153	-2,75	218	119
Eurobond Russia 30Y	4,387	0,313	5,083	3,914
EMBI +	592,21	-4,14	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1798,75	-3,07	2123,56	1385,81
Micex	1587,00	-2,08	1859,99	1334,66
S&P 500	1199,38	-0,06	1363,61	1047,22
DJIA	11444,61	0,54	12810,54	9985,81
Brent	106,65	-0,60	129,43	67,20



Nordea Markets is the name of the Markets departments of Nordea Bank Norge ASA, Nordea Bank AB (publ), Nordea Bank Finland Plc and Nordea Bank Danmark A/S. The information provided herein is intended for background information only and for the sole use of the intended recipient. The views and other information provided herein are the current views of Nordea Markets as of the date of this document and are subject to change without notice. This notice is not an exhaustive description of the described product or the risks related to it, and it should not be relied on as such, nor is it a substitute for the judgement of the recipient. The information provided herein is not intended to constitute and does not constitute investment advice nor is the information intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has no regard to the specific investment objectives, the financial situation or particular needs of any particular recipient. Relevant and specific professional advice should always be obtained before making any investment or credit decision. It is important to note that past performance is not indicative of future results. Nordea Markets is not and does not purport to be an adviser as to legal, taxation, accounting or regulatory matters in any jurisdiction. This document may not be reproduced, distributed or published for any purpose without the prior written consent from Nordea Markets.