

August 09, 2011

RUB basket rocketed	USD/RUB	29.49	▲
Money market was unchanged	EUR/RUB	41.90	▲
Stocks renewed minimums	RUB basket	35.07	▲

Hot News

- The Association of European Businesses (AEB) said on Monday it had revised up this year's forecast of Russian car sales to 2.45 million units from 2.35 million units. AEB also said car sales in Russia rose 27 percent in July year-on-year, after rising 40 percent in June.
- Russia will lift its ban on raw vegetables from all European Union countries starting on Tuesday, Aug. 9, the head of the country's consumer watchdog said on Monday. Russia banned imports of raw vegetables from the European Union on June 2 due to a deadly E. coli outbreak. Moscow later agreed to drop the ban provided it received safety guarantees and has since allowed imports from some EU nations. The EU, which exported about 600 million euros (\$850 million) worth of vegetables to Russia last year, had said the blanket ban was not scientifically justified.
- Russia may export 20-23 million tones of grain in the current 2011/12 crop year, following the lifting of a ban on exports imposed after last year's drought, the Agriculture Minister said on Monday. Yelena Skrynnik did not provide a new forecast for this year's crop.
- Russia imported 277,800 tones of barley in the first half of 2011 following a severe drought last summer, compared with just 400 tonnes a year ago, customs data showed on Monday. Russia imposed a ban on grain exports from Aug. 15, 2010 to July 1, 2011 to curb rising prices after the worst heat-wave on record.

Money Market

Situation on money market was unchanged in spite of turmoil on the financial markets. Interest rates are still decreasing, approaching minimums, liquidity is ample. Last week the Central Bank of Russia decided to leave the key interest rates unchanged, as long as inflation slowed from 9.4% y/y in June to 9.0% in July and anticipation of August deflation due to food price decrease. But RUB slump can revive inflation speculations. Globally interest rates moderate upward trend will continue.

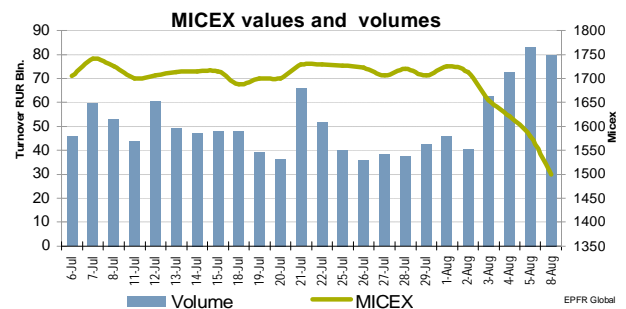
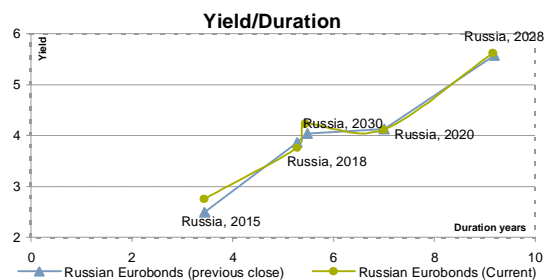
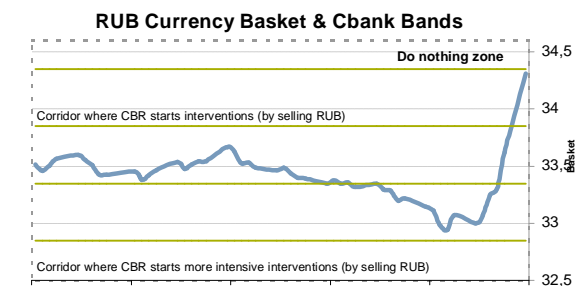
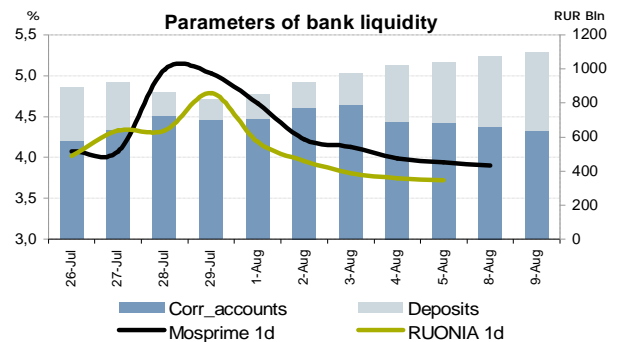
Currency Market

The RUB basket increased and ruble renewed this year bottom. Today's opening was slightly higher 35 for the currency basket. Risk aversion hit commodity market and commodity-based currencies after S&P cut the U.S. rating. Driven by commodity market, RUB slumped against USD and EUR. However current negative dynamics is emotional to some extent. Brent prices are still above \$100 per barrel and trade at \$103 which corresponds to ~RUB34.5 per basket. Currently RUB basket trades at Central Bank «do-nothing zone» (RUB 34.25-RUB 35.25). If basket goes above 35.25 CBR will start to buy RUB, supporting Russian currency.

Debt and Equity Markets

The Russian stock market started week with a great drawdown after S&P cut the U.S. rating. Risk aversion is escalating, making EM less attractive in the current moment. MICEX Index decreased by 5.5%, RTS had more losses (-7.84%) due to RUB negative dynamics. Today's opening was negative but some market participants begin some shy purchases. Fed meeting can bring some fresh ideas today.

Forwards	1m.	3m.	6m.	
USD/RUB	29,193	28,418	28,728	
EUR/RUB	41,72	41,99	42,41	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,21	0,02	4,26	3,23
MIBOR 1m (%)	4,51	0,01	4,58	3,81
RUONIA 1d (%)	3,75	-0,06		
Implied NDF yield 6m%	4,65	0,335	4,39	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	180	27	218	119
Eurobond Russia 30Y	4,262	-0,125	5,083	3,914
EMBI +	585,85	-6,36	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1657,00	-7,88	2123,56	1385,81
Micex	1499,00	-5,55	1859,99	1334,66
S&P 500	1119,46	-6,66	1363,61	1047,22
DJIA	10809,85	-5,55	12810,54	9985,81
Brent	101,87	-5,05	129,43	67,20



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