

Nordea

Russian Markets - Daily

August 24, 2011

RUB gained slightly	USD/RUB	28.91	▼
Liquidity is temporarily stable	EUR/RUB	41.62	▼
Rates were unchanged	RUB basket	34.66	▼

Hot News

- While tariffs for most state monopolies will correspond to inflation level next year, the tariffs of the state monopoly Gazprom will increase by about 15 percent, Vedomosti reports.
- Government spending may increase again when new amendments to the state budget are introduced in early fall, the daily Kommersant reports.
- Russia's top lender Sberbank has postponed investor meetings in the Middle East and Asia as jittery markets cast the privatisation of a 7.6 percent stake into doubt, three banking sources said on Tuesday
- Russia's largest bank Sberbank said on Tuesday it was looking at potential takeover targets in central and eastern Europe, including in Poland.
- China Construction Bank (CCB), the world's No.2 bank by market capitalization, wants to create a full branch based on its Russian representative office, the lender said.
- Russian tax reforms due in October would benefit production and exploration heavyweights such as Rosneft and LUKOIL and help the world's top oil producer maintain output at current peak levels for another few years. The reforms, in the works for over two years, encourage crude output and exports by lightening the burden of a tax system that captures over 90 cents of every \$1 increase in the price of exported crude.
- Russia harvested 57.9 million tones of grain by bunker weight by Aug. 23 from 22 million hectares, or 50 percent of the sown area, the agriculture ministry said on Tuesday. Analysts believe the crop may reach 92 million tones this year.

Money Market

On Wednesday liquidity level stayed stable, banks have ~1 trillion rubles on deposit and in correspondent accounts with the Central Bank. Rates were relatively stable. Situation can change as tax payments will deteriorate liquidity. We expect interbank interest rates increase and liquidity on deposits and in correspondent accounts go lower 1 trillion rubles. Next big tax payment will be today. In worst case scenario overnight interbank rates can approach 5% during this week.

Currency Market

The RUB gained versus USD and retreated versus EUR yesterday. Currency basket decreased by 3 kopecks. Risk tolerance increased as market is waiting for QE3 announcement. However poor Europe and US statistics remains weak and if U.S. Federal Reserve doesn't announce a new stimulus program the result can be deplorable and revived risk aversion will hit risky currencies. But as for today we do not expect such scenario. Oil prices are high enough higher and today's basket opening was lower. Tax payments and corresponding exporters' demand for RUB is also supporting Russian currency. Central Bank does not intervene.

Debt and Equity Markets

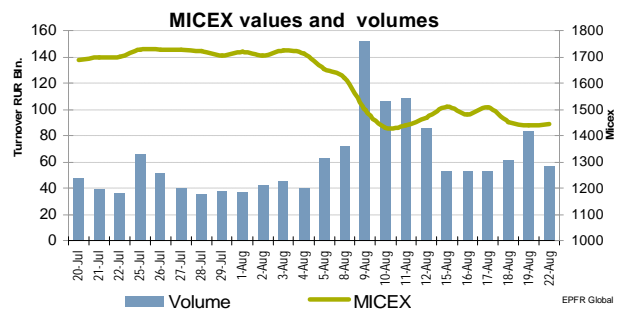
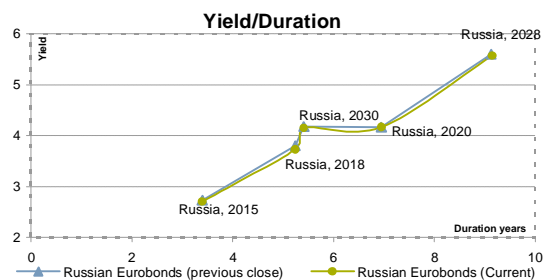
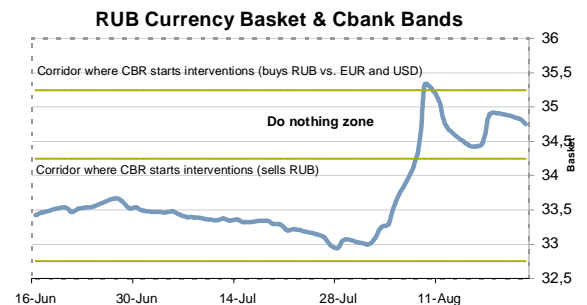
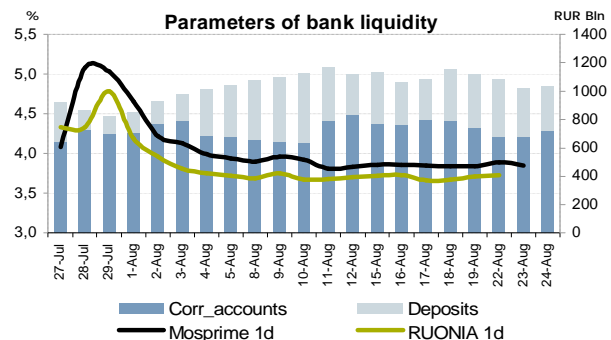
Russian stock market was volatile yesterday, but closed without significant change. MICEX Index closed higher (+0.01%). Negative euro area macro statistics had negative impact on markets but anticipation of stimulus program announcement offset this factor. Today Russian market had flat dynamics on the opening.

Debt: The Russian Finance Ministry may offer a small premium on 4-year OFZ treasury bonds at Wednesday's top-up auction to ensure the bond sale goes smoothly despite expected liquidity drainage during the tax period.

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

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

Forwards	1m.	3m.	6m.	
USD/RUB	29,004	29,319	29,644	
EUR/RUB	41,911	42,193	42,694	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,51	-0,01	4,55	3,23
MIBOR 1m (%)	4,68	0,02	4,68	3,81
RUONIA 1d (%)	3,71	0,04		
Implied NDF yield 6m%	4,86	-0,06	5,38	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	204,33	10,33	218	119
Eurobond Russia 30Y	4,246	0,065	5,083	3,914
EMBI +	590,57	-2,43	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1578,91	0,03	2123,56	1385,81
Micex	1444,11	0,01	1859,99	1334,66
S&P 500	1162,35	3,43	1363,61	1047,22
DJIA	11176,76	2,97	12810,54	9985,81
Brent	109,26	0,44	129,43	67,20



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