

# Nordea

## Russian Markets - Daily

August 29, 2011

<b>RUB gained</b>	USD/RUB	28.70	▼
<b>Liquidity is under the pressure</b>	EUR/RUB	41.72	▲
<b>Overnight rates are high</b>	RUB basket	34.57	▼

### Hot News

- The Central Bank of Russia announced it starts to give out loans against gold. Banks will be able to get a loan secured with gold of up to three months at 7% per annum. This tool is used to secure liquidity provision in the interbank market if tensions increase. /Interfax
- Prime Minister Putin approved part of the new tax reform in the oil industry. The toll for dark and light oil will be unified at 66% as of October 1st (now dark products are taxed 46.7%, light - 67%). The second half of the reform is not ready yet - reduction coefficient in the formula oil duty from 65 to 60% - but that will be arranged soon, according to government officials. /Intefax
- According to Ministry of Economic Development, inflation will be at 6.5-7% this year. The upper level of the forecast range was reduced from 7.5%. /Interfax

### Money Market

After liquidity level decreased significantly in the end of the last week interest rates started to increase. According to the latest data banks have -800 trillion rubles on deposit and in correspondent accounts with the Central Bank, which is not sufficient to keep interest rates stable. Situation is worsening because of tax payments. Today income tax payments could further deteriorate liquidity. Correspondingly Money Market interest rates will likely continue to increase and overnight interbank rates can approach 5%. The same situation we saw in the end of July.

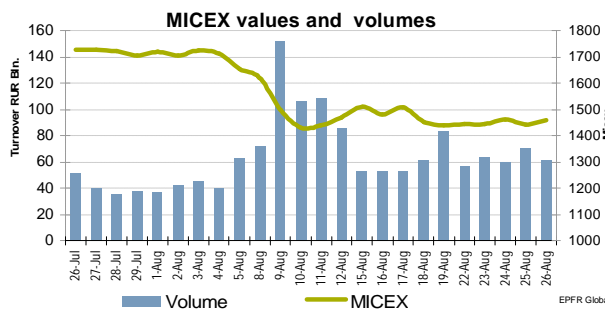
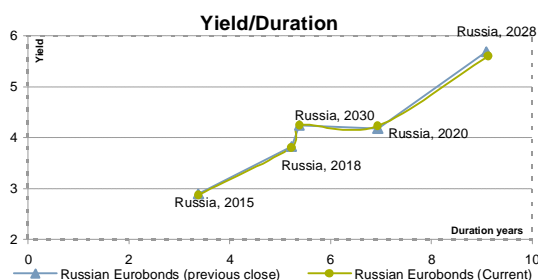
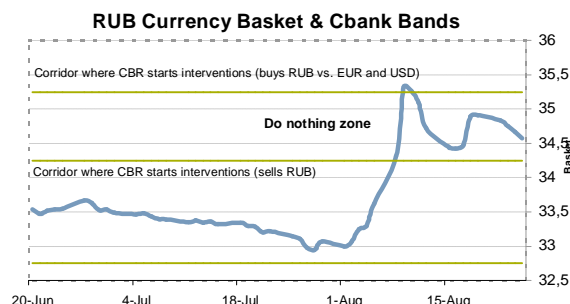
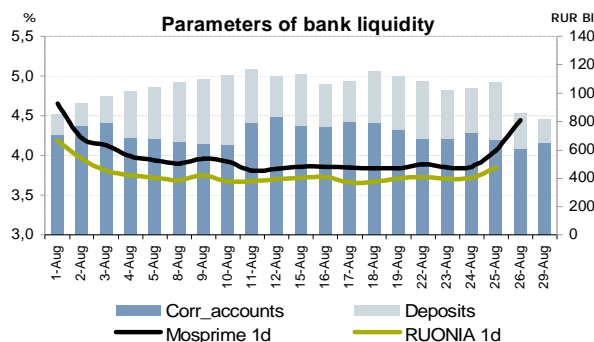
### Currency Market

The RUB market was steady on Friday in anticipation of Fed's Bernanke's speech (18:00 Moscow time). Following the speech the USD strengthened on risk aversion weakening the RUB against USD to the levels above 29.00. The markets were immediately disappointed by Fed NOT hinting any immediate quantitative easing, but then the markets turned more positive again. Bernanke said Fed will have a longer meeting in September where the measures will be discussed. No doubt - low rates for a long time, which supports liquidity (and risk sentiment). The RUB basket closed at 34.63, i.e. 2.5 kopeck higher than the day before. Today Asian markets traded strong, ex-Japan gaining over 2%. The USD index fell 1% from Friday's peaks reflecting the "risk on" mood in the global markets. Brent oil, while lower from Friday's peaks on hurricane Irene now behind, still remains comfortably above USD 110/bbl. The RUB opened stronger against the basket, trading at 34.55 in the first minutes of the daily session.

### Debt and Equity Markets

The Russian stock market opened higher on Friday, but then in anticipation on Bernanke's speech volatility increased. Finally market added 1,13%. Today's opening was positive. Bernanke said Fed will decide about QE3 at meeting in September. So market have a plenty of time to play the same game, risk tolerance can help markets to go up, but volatility will likely stay high.

Forwards	1m.	3m.	6m.	
USD/RUB	28,9	29,122	29,452	
EUR/RUB	41,8814	42,1747	42,61	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,57	0,06	4,57	3,23
MIBOR 1m (%)	4,72	0,04	4,72	3,81
RUONIA 1d (%)	3,72	0,01		
Implied NDF yield 6m%	4,955	-0,045	5,38	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	205	-0,67	218	119
Eurobond Russia 30Y	4,234	-0,009	5,083	3,914
EMBI +	590,14	0,39	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1596,17	0,77	2123,56	1421,21
Micex	1458,84	1,13	1859,99	1366,50
S&P 500	1176,80	1,51	1363,61	1048,92
DJIA	11284,54	1,21	12810,54	10009,73
Brent	111,00	0,39	129,43	67,20



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