

# Nordea

## Russian Markets - Daily

September 05, 2011

<b>RUB retreated</b>	USD/RUB	29.35	▲
<b>Liquidity is stable</b>	EUR/RUB	41.45	▲
<b>Rates are more or less stable</b>	RUB basket	34.79	▲

### Hot News

- Fitch affirmed the Russian Federation's long term foreign and local currency rating at 'BBB', leaving positive outlooks. "The affirmation of Russia's ratings with positive outlooks balances its exceptionally strong sovereign balance sheet and potential for lower macro-financial instability and inflation from its enhanced exchange rate flexibility, against its structural weaknesses and the delay to fiscal tightening, which heighten its vulnerability to a severe oil price shock," commented Ed Parker, Managing Director in the EMEA Sovereign group at Fitch. Russia's general government debt was only 11.5% of GDP at the end of 2010, which is well below the 10-year 'BBB' range median of 36%. /Reuters
- Ulyukayev commented on Friday that the CBR is not going to change the policy stance due to the global events, downplaying their marginal impact for the Russian economy. He also noted that "there are no signs of crisis, but everyone sees them". On inflation Ulyukayev said that the CBR will target 4-5% at the 3-year horizon. /RIA
- The Russian service PMI index dropped from 56.9 to 53.2 in August. /Reuters

### Money Market

Liquidity is improving with suspicious low pace. Banks have 834 billion rubles on deposit and in correspondent accounts with the Central Bank. This level is not comfortable and rates can be volatile. However basically we do not expect any turmoil on the money market till the end of September. Budget spending and CBR auctions should help market to avoid liquidity problems in the coming few weeks. Overnight rates stabilized near 4%.

At press-conference Ulyukayev did not comment on interest rate policy, but his comments told market that the Central Bank will probably hold rates unchanged at next meeting in September.

### Currency Market

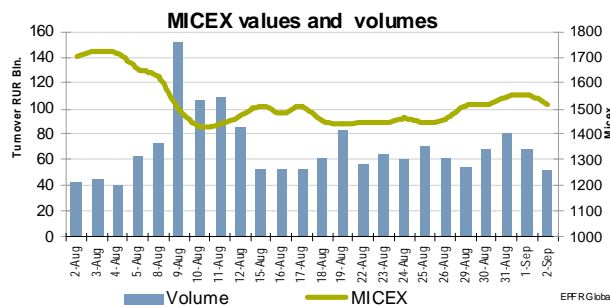
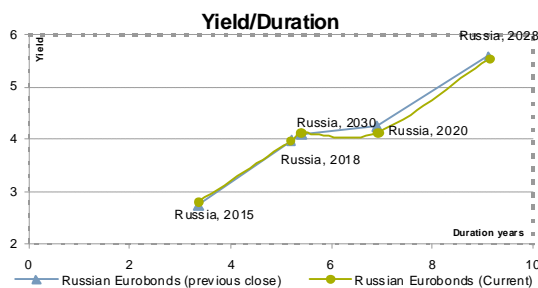
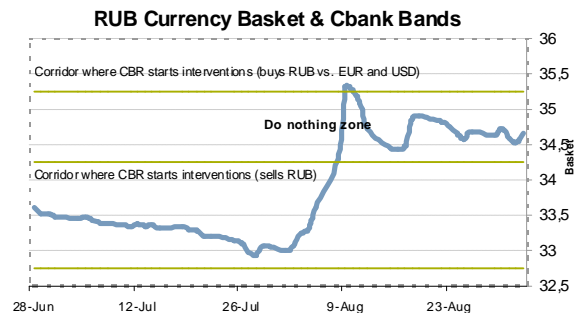
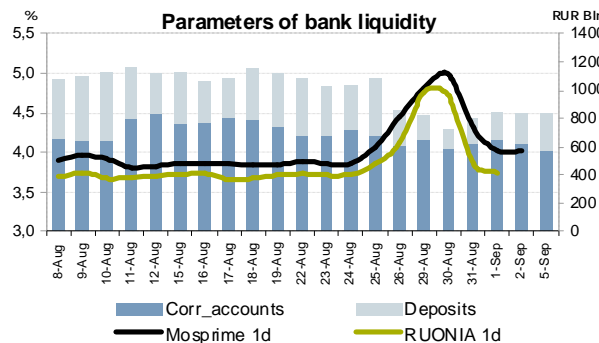
The RUB rose 12 kopeck against the EUR and USD basket, finishing the daily session at 34.64. Thus, RUB has remained broadly stable against the basket in the past few weeks.

RUB lost against both EUR and USD on Friday. The major impulse came after the release of the gloomy US non-farm payrolls report which increased risk aversion in the global markets. Even though it signals that the QE may be imminent, the markets are not at all optimistic after the last year's Fed's efforts failed. The CBR's chief Ulyukayev was quite optimistic on Friday, saying that there is no risk of full-blown crisis, implying that the CBR will probably not ease the monetary policy as many other Emerging Markets policymakers have signalled, which is RUB positive in the medium term. In the short run, however, RUB is vulnerable due to the weak risk appetite on the global markets. Today the global markets are sour, with Asian equities deeply in the red (-2%) over the night, the Brent oil price off the last week's peaks to USD 111.70/bbl in the morning and the headlines speculating on the disastrous outcomes for the euro zone. This is not the mood to go risky. The RUB opens some 10 kopeck higher.

### Debt and Equity Markets

The Russian stock market slumped during Friday's session. MICEX Index decreased by 2.3%. Today's opening was lower. Risk aversion on global markets put a pressure. However rebounding local liquidity and still relative high oil prices will support Russian market. Micex index has a technical support at 1450.

Forwards	1m.	3m.	6m.	
USD/RUB	29,348	29,563	29,886	
EUR/RUB	41,553	41,838	42,28	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,51	-0,03	4,61	3,23
MIBOR 1m (%)	4,72	-0,04	4,8	3,81
RUONIA 1d (%)	3,86	-0,85		
Implied NDF yield 6m%	4,84	0,08	5,38	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	180	0,5	218	119
Eurobond Russia 30Y	4,102	0,018	5,083	3,914
EMBI +	597,04	0,52	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1657,25	-2,74	2123,56	1453,47
Micex	1515,89	-2,30	1859,99	1398,70
S&P 500	1173,97	-2,53	1363,61	1091,84
DJIA	11240,26	-2,20	12810,54	10340,69
Brent	4309,00	3,48	129,43	67,20



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