

# Nordea

## Russian Markets - Daily

September 07, 2011

<b>RUB is gaining in the morning</b>	USD/RUB	29.46	▼
<b>Liquidity is stable</b>	EUR/RUB	41.47	▼
<b>Rates decreased</b>	RUB basket	34.86	▼

### Hot News

- Gazprom head Miller said the shareholder agreement for the South Stream pipeline will be signed on September 16. According to it Gazprom will maintain its 50% interest in the project, the share of Italy's Eni in the project will be reduced to 20%, while France's EDF and Germany's Wintershall will receive 15% each. The South Stream pipeline, the construction of which should start in 2013, should run across the bottom of the Black Sea from Russia to South and Central Europe. /Interfax
- Agriculture Minister Elena Skrynnik confirmed that grain output this agricultural season is expected to be much higher than last year at around 84-85mn tons, of which 20mn tons are to be exported. Skrynnik also said that Russia plans to buy 1.5-2mn tons of grain to fill up the intervention fund, which will help slow down the deflation of the consumer market. /Interfax

### Money Market

Liquidity was unchanged yesterday. Banks have 908 billion rubles on deposit and in correspondent accounts with the Central Bank. This level is not very comfortable and we expect that liquidity will restore till the end of the month and will reach at least 1.2 trillion ruble. Overnight rates stabilized lower 4% and approaching CBR depo level at 3.75%. Recently Central Bank signaled that it won't take any actions on the next meeting while other EM central banks are considering monetary easing actions. Inflation is still a concern in spite of deflation in August.

### Currency Market

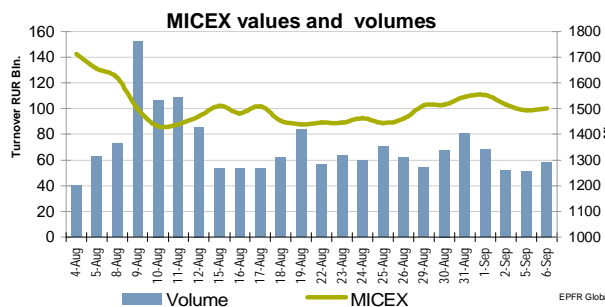
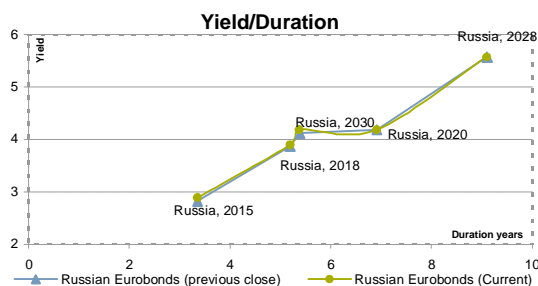
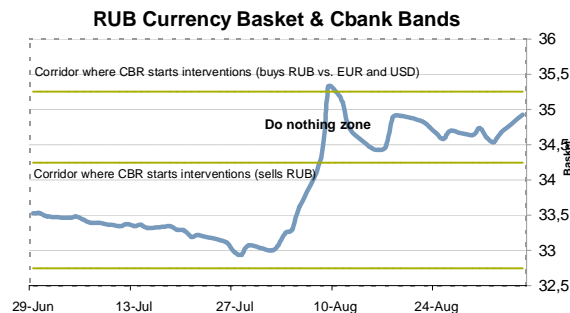
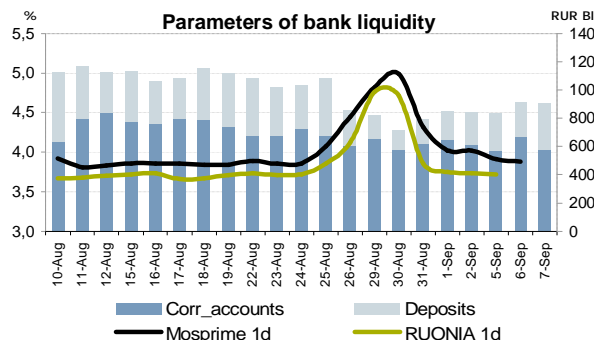
The RUB retreated further against the USD and EUR basket yesterday, closing at 34.99, i.e. 7 kopeck higher than the day before. Yesterday during the first morning hours the RUB basket reached out to 35.10, renewing the 3-weeks' weakest levels. The situation improved toward the end of the session as the global markets become somewhat more positive, correcting after sharp falls in the previous days. Tonight the Asian markets rose following somewhat better US service PMIs, on rumors that China is going to ease the monetary policy and speculations that Japan will follow Switzerland in the "currency war". Protectionism is back in vogue with the global economy weakening, and countries will like to avoid strengthening currencies in this situation. Russia is probably no exception, as stronger RUB has helped imports to rise rapidly in H1 2011, hurting economic growth. RUB opens stronger, trading at around 34.90, reacting to the local improvement in risk appetite and Brent oil back to above USD 113/bbl. The markets will likely remain tense awaiting the German court's decision on "no bailout" clause today and ahead of Thursday's ECB meeting.

### Debt and Equity Markets

The Russian stock market increased during yesterday's session but behaved better than other markets. MICEX Index increased by 0.5%. Commodity markets' positive dynamics supported local energy companies. Today Russian market opened higher. Local indices have a good chance to show strong rebounding. The markets will focus on German court's decision and Thursday's ECB meeting.

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Forwards	1m.	3m.	6m.	
USD/RUB	29,721	29,934	30,283	
EUR/RUB	41,709	41,991	42,492	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,52	0,01	4,61	3,23
MIBOR 1m (%)	4,7	0	4,8	3,81
RUONIA 1d (%)	3,73	-0,02		
Implied NDF yield 6m%	4,96	0	5,38	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	204,83	17,33	218	119
Eurobond Russia 30Y	4,157	0,012	5,083	3,914
EMBI +	595,96	-1,08	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1618,63	0,10	2123,56	1453,47
Micex	1499,70	0,46	1859,99	1398,70
S&P 500	1165,24	-0,74	1363,61	1091,84
DJIA	11139,30	-0,90	12810,54	10340,69
Brent	4157,50	-3,69	129,43	67,20



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