

Nordea

Russian Markets - Daily

September 09, 2011

RUB is stable	USD/RUB	29.69	▲
Liquidity growth is stagnating	EUR/RUB	41.27	▼
O/N rates are comfortable	RUB basket	34.91	

Hot News

- CBR's international reserves as of September 2 stood at USD 543.4bn compared to USD 541.8bn on August 26. Thus, the international reserves increased by USD 1.6bn in a week. The previous week reserves fell by USD 2.2bn. /CBR
- Ministry of Finance lowered the estimate of the federal budget deficit in to 1.5% of GDP in 2012, down from the previously forecast 2.7%. The 2013 and 2014 deficit estimates were revised down to 1.6% and 0.7%, respectively. These projections are based on an average oil price of USD 100/bbl in 2012, USD 97/bbl in 2013 and USD 101/bbl in 2014. /Interfax
- Sberbank signed an agreement to purchase Volksbank International AG (VBI), the international arm of Oesterreichische Volksbanken AG. The purchase price for VBI is estimated to be from EUR 585 million to EUR 645 million, depending on the financial indicators in 2011. /Interfax

Money Market

Liquidity surprisingly decreased yesterday, and the pace of liquidity rebounding stays very low. Banks have 904 billion rubles on deposit and in correspondent accounts with the Central Bank. This level is sufficient to keep overnight interest rate at comfortable levels lower 4%, but it is not enough to make market participant confident concerning tax payment period in the end of the month. In order to avoid any liquidity problem during tax payments liquidity has to be at least 1.2 trillion ruble. Otherwise liquidity squeeze will be severe. Acceleration of budget spending can mitigate current worries.

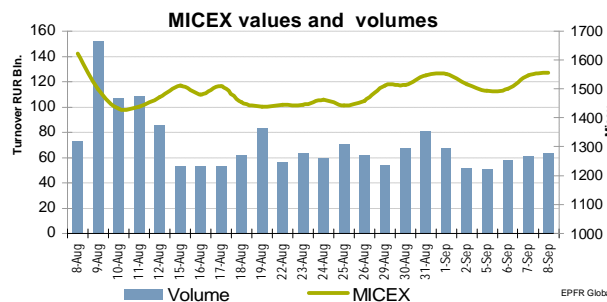
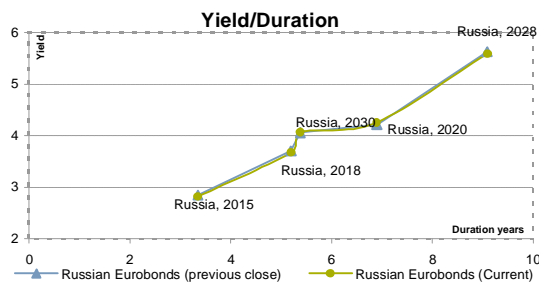
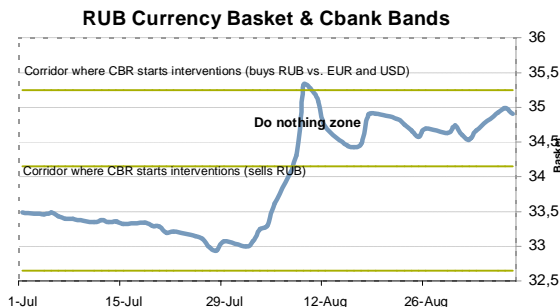
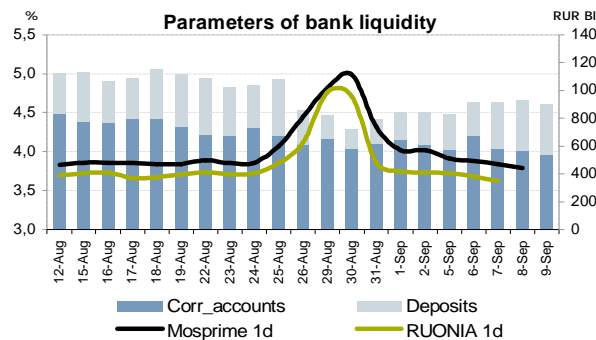
Currency Market

The RUB basket remained nearly unchanged yesterday, strengthening by just 1 kopeck closing at 34.87. In the first part of the day the basket was trading at around 34.95. Yesterday's ECB comments were very dovish, sending EUR by nearly a figure down. So the growth concerns are now officially prevalent on the both sides of the Atlantic, and the monetary policy will remain easy in the foreseeable future. Downside growth risks are negative for RUB, because they might hit oil eventually. So far oil is surprisingly resilient, trading at USD 114.60/bbl here in the morning, down just a little bit over 1 USD since yesterday's peaks. These high levels are comfortable for RUB while they last. Tonight the markets were mixed, with slight minutes. With the big events behind the markets will settle for the weekend likely with no significant moves. RUB opened at just a few kopeck above yesterday's levels.

Debt and Equity Markets

The Russian stock market was more or less flat yesterday as global markets gave no notable signals, risk appetite is still a question. President Obama proposed a new USD 450bn stimulus package and this program along with QE3 can be the major trading ideas on the market in the coming weeks. Brent trades near \$115, which is quite supportive level for the local market. Today Russian market opened slightly lower, but situation can change in favor of growth.

Forwards	1m.	3m.	6m.	
USD/RUB	29,781	30	30,332	
EUR/RUB	41,413	41,696	42,196	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,5	-0,01	4,61	3,23
MIBOR 1m (%)	4,69	-0,01	4,8	3,81
RUONIA 1d (%)	3,68	-0,04		
Implied NDF yield 6m%	4,935	0,075	5,38	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	195,33	0	218	119
Eurobond Russia 30Y	4,048	-0,05	5,083	3,914
EMBI +	597,99	0,18	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1675,14	0,32	2123,56	1463,88
Micex	1556,46	0,64	1859,99	1410,11
S&P 500	1185,90	-1,06	1363,61	1104,18
DJIA	11295,81	-1,04	12810,54	10415,24
Brent	4229,50	1,70	129,43	67,20



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