

Nordea

Russian Markets - Daily

September 14, 2011

RUB retreated further	USD/RUB	30.38	▲
Liquidity is uncomfortable	EUR/RUB	41.36	
O/N rates increased	RUB basket	35.32	▲

Hot News

- Finance Minister Kudrin hinted that he does not rule out the possibility of becoming a prime minister after the elections. /Reuters
- Talking about the new policies after elections Kudrin said that reforms will follow "for sure". Kudrin criticized the current government policy, which, according to him, has become "more risky" as Russia began to live beyond their means. His thesis for the new reforms is strict fiscal policy. He does not rule out raising taxes as a tool. Kudrin also said that government needs to seriously engage in the reform of public utilities, protection of property rights, arbitration of disputes, reducing the state's share in the business, increase the powers and independence of the regions and municipalities. /Reuters
- Commenting on RUB Kudrin said that he rules out a rapid devaluation of RUB even if the situation worsens in the global markets. That said, he sees "soft" weakening of RUB as a result of growing imports and the current account erosion. /Reuters
- The BRICS major emerging markets are in initial talks about increasing their holdings of euro-denominated bonds in an effort to help ease the euro zone debt crisis, a Brazil government official told Reuters on Tuesday. The talks are still in a "preliminary stage," said the source, who asked not to be identified because the negotiations were ongoing. The official said any action would not involve "the majority" of countries' reserves, but did not provide additional details.

Money Market

Liquidity is low, rates are higher. Banks have 902 billion rubles on deposit and in correspondent accounts with the Central Bank. The first tax of the month will be today (~RUB50 bn).

Overnight interest rate started to increase few days ago. Market is waiting for problems during tax payments in the end of the month as long as coming tax payments can deteriorate liquidity and lead to significantly higher interbank rates.

Today CBR will take an interest rate decision and will likely leave refinancing and depo rates unchanged, but there is some probability of repo rate cut (currently 5.5%).

Currency Market

The RUB basket increased further during Tuesday's session due to low risk appetite. Today's opening was slightly higher and now basket is trading at RUB35.32. Oil prices try to stay higher 110 per barrel Brent. The high dollar exchange rate at RUB30.38 (8-month high vs. ruble) didn't lead to exporters' RUB purchases yet, but during tax paying period it will support Russian currency. Low ruble liquidity also partly offset current negative global market sentiment. Currently Central Bank's daily interventions total ~\$150-\$200 mn., which is not significant sum for the currency market. Basket will probably stay elevated during coming few days.

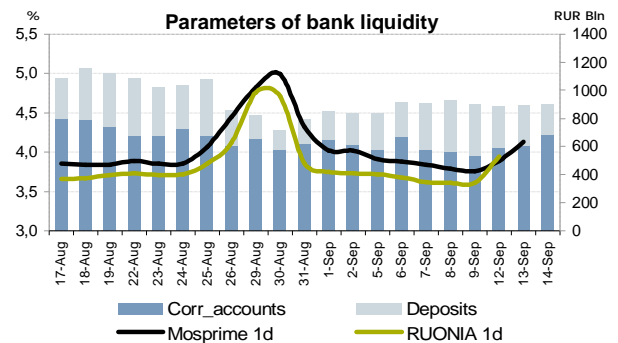
Debt and Equity Markets

The Russian stock market closed higher on Tuesday. MICEX Index finished with 0.33% gain. Today Russian and European stock markets opened lower after Moody's downgraded the long-term debt ratings of French banks Credit Agricole SA and Societe Generale SA. The volatility will likely stay high during next sessions. Risk appetites are still at low levels.

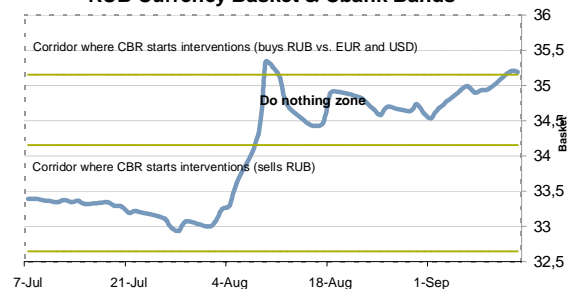
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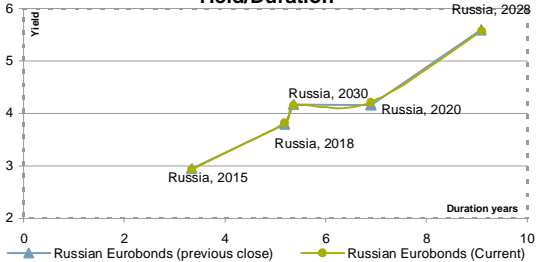
Forwards	1m.	3m.	6m.	
USD/RUB	30,396	30,652	30,996	
EUR/RUB	41,4296	41,7589	42,2317	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	4,63	0,11	4,63	3,23
MIBOR 1m (%)	4,71	0,04	4,8	3,81
RUONIA 1d (%)	3,61	0		
Implied NDF yield 6m%	5,26	0,16	5,38	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	221,67	0,17	221,67	119
Eurobond Russia 30Y	4,169	-0,02	5,083	3,914
EMBI +	592,21	-0,75	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1572,00	0,34	2123,56	1463,88
Micex	1498,16	0,33	1859,99	1410,11
S&P 500	1172,87	0,91	1363,61	1119,46
DJIA	11105,85	0,40	12810,54	10526,49
Brent	111,27	-1,45	129,43	67,20



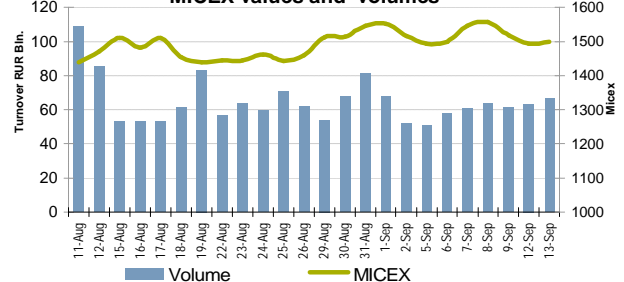
RUB Currency Basket & Cbank Bands



Yield/Duration



MICEX values and volumes



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