

Nordea

Russian Markets - Daily

September 16, 2011

RUB weakened	USD/RUB	30.58	▲
Liquidity decreased	EUR/RUB	42.32	▲
Overnight rates are high	RUB basket	35.86	▲

Hot News

- The Bank of Russia intends to continue the exchange rate liberalization in 2012-2014, commented the deputy chairman Ulykayev. Yet they do not intend to cancel the floating corridor of RUB against the basket in this period - only to continue widening it. According to Ulykayev, RUB is already almost a free floating currency today. /RIA
- Commenting on the decision to raise the depo rates and to lower the repo rates the day before Ulykayev said that the narrowing in the interest rate corridor was neutral in the sense of softening or tightening the monetary policy. The goal was to get better control of interest rates. "Earlier we targeted the exchange rate and now it is the management of interest rates" - he said. Ulykayev noted that further steps in this direction are possible, yet the already achieved level of 150bp for the spread between repo and depo rates is quite acceptable and effective already (while in Europe the corridor is narrower, the rates are lower there than in Russia). /RIA
- The CBR international reserves decreased by USD 4.6bn to USD 538.8bn over the week Sept 2-9 (mostly due to valuation effects - weakening of EUR). /CBR
- Industrial production grew 6.2% y/y in August, up from 5.2% in July. /Rosstat

Money Market

Liquidity decreased by 30 bn., rates increased significantly. Banks have 819 billion rubles on deposit and in correspondent accounts with the Central Bank, which is extremely low level for the second decade of the month. Overnight rates will stay high and we expect activation of CBR repo operations. The CBR repo rates cut by 25bp from 5.5% to 5.25% will help money market to avoid extreme volatility.

If Central Bank takes passive position then market will face severe liquidity squeeze during tax payments in the end of the month.

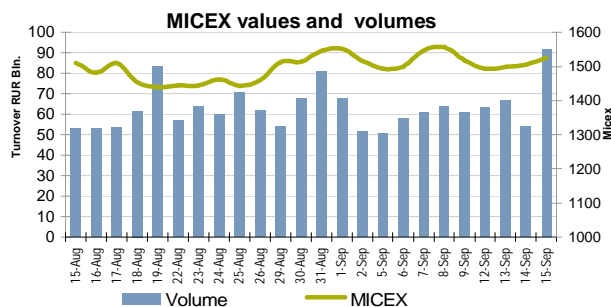
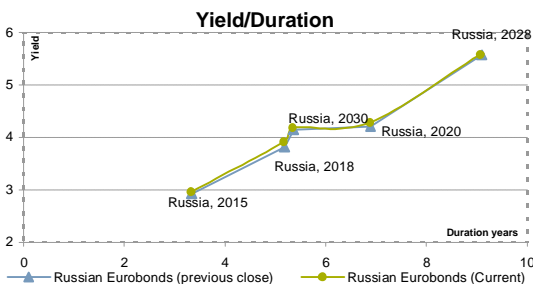
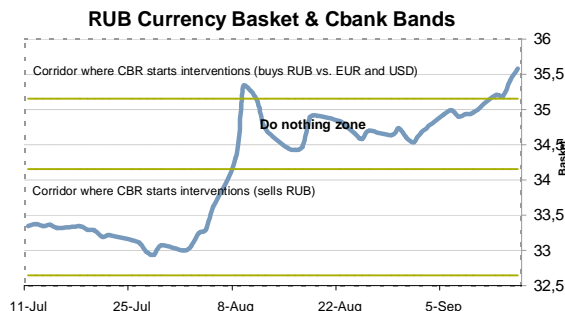
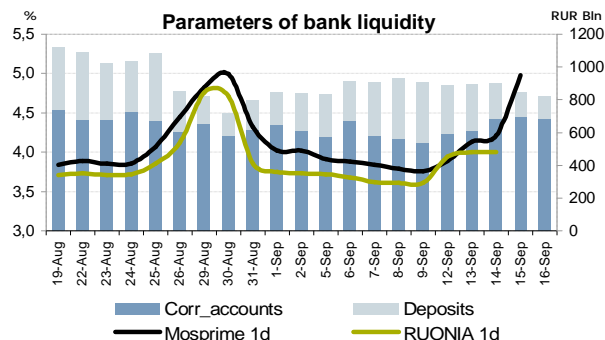
Currency Market

The RUB basket continued to increase yesterday. Current ruble weakness can be partially explained by rhetorical pressure. Deputy Economy Minister Andrei Klepach said yesterday that ruble is overvalued, pushing Russia towards a current account deficit in the medium term. It also poses a risk of a costly and a sharp devaluation in order to balance the economy, Klepach said. This led to speculative pressure on RUB. However Brent prices stay higher 110 per barrel which fundamentally supports ruble. Exporters ruble purchases along with low RUB liquidity will help Russian currency to restore in the end of the month. But today basket opened higher at 35.80. Central Bank increases interventions higher RUB35.65 per basket.

Debt and Equity Markets

Russian stock markets climbed yesterday in spite of ruble slump. MICEX Index increased by 1.35%. Today trading session opened 1% higher. Relative stable commodity market supports Russian stocks. Debt market is under the pressure of low liquidity and weak ruble. Rates are higher.

Forwards	1m.	3m.	6m.	
USD/RUB	30,511	30,78	31,16	
EUR/RUB	42,282	42,621	43,136	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	5,29	0,39	5,29	3,23
MIBOR 1m (%)	4,87	0,14	4,87	3,81
RUONIA 1d (%)	4	0,06		
Implied NDF yield 6m%	5,615	0,055	5,615	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	220,67	-4,58	225,25	119
Eurobond Russia 30Y	4,201	0,035	5,083	3,914
EMBI +	589,07	-0,55	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1603,99	2,14	2123,56	1463,88
Micex	1525,28	1,35	1859,99	1410,11
S&P 500	1209,11	1,72	1363,61	1119,46
DJIA	11433,18	1,66	12810,54	10594,83
Brent	112,82	0,72	129,43	67,20



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