

Nordea

Russian Markets - Daily

September 19, 2011

RUB continued to retreat	USD/RUB	30.84	▲
Liquidity increased	EUR/RUB	42.25	▲
Overnight rates approached CBR repo rate	RUB basket	35.97	▲

Hot News

- According to Moody's the steps taken by the Central Bank of Russia to improve liquidity last week are credit positive for the Russian banks. /Reuters VTB head A. Kostin said that the privatization of another 10% of VTB should take place after the presidential elections in March 2012. According to him, the elections will reduce the political un
- certainty and thus increase interest in the stake. /Interfax Speaking in Sochi 2011 investment forum Prime Minister Putin hinted he is against further increase of the tax burden in Russia. He said that additional financial resources should come from optimization of government expenditure and better tax administration. With such comments Putin effectively responded in contrast to Finance Minister's Kudrin's earlier comments that the tax hikes will be needed. /Interfax

Money Market

Liquidity increased by 107 bn., however rates continued to increase as long as absolute liquidity level is quite low. Banks have 927 billion rubles on deposit and in correspondent accounts with the Central Bank, which is uncomfortable level taking into account coming tax payments. During next two weeks liquidity will be deteriorated by tax payments (~RUB350 bn.). Overnight rates will likely stay high near CBR repo rate.

In order to keep the money market within adequate bounds Central Bank is going to increase daily repo limit to RUB250 bn. Moreover recent CBR repo rates cut by 25bp from 5.5% to 5.25% should also help money market to avoid severe liquidity squeeze.

Currency Market

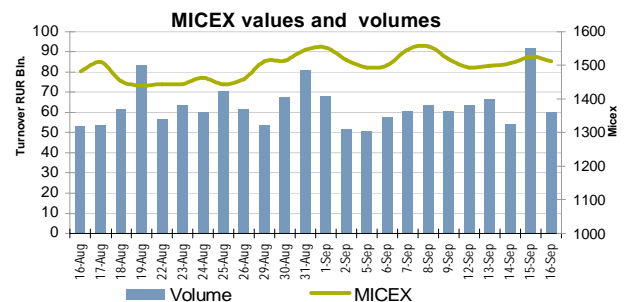
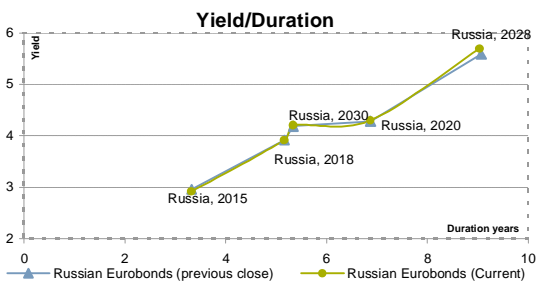
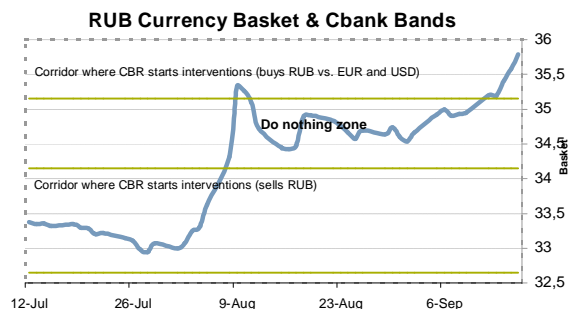
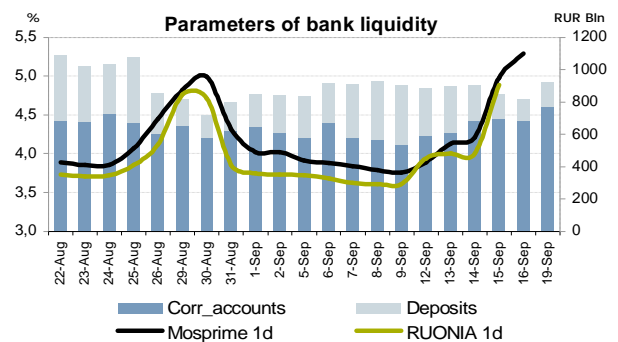
The RUB weakened further against the basket on Friday, losing 8 kopeck for the day and finishing at 35.74. During the first part of the day the basket reached out to the levels of 33.87 - 35.88. RUB losses were concentrated on the USD side, as RUB lost 15.25 kopeck against the USD closing at 30.55 on Friday. RUB performance was weak in light of the relatively positive global market risk sentiment after the coordinated liquidity intervention announced by global central banks on Thursday. One of the reasons to RUB weakness could be the comments of the Russian policymakers last week - like the "soft" RUB devaluation expected by Finance Minister Kudrin. RUB basket now crossed the line where we estimate the cumulative interventions should start - above 35.65 we think the CBR actually starts to sell USD in range of USD 300m per day. Today the global markets are sour, with Asian equities in the red and Europe looking to open lower after no agreement on Greek situation was reached over the weekend. The eyes are toward Greece today - the situation getting tense as the decision on whether to send another bailout tranche is on the table. RUB basket starts higher today, breaching 36.00 in the first minutes of the session.

Debt and Equity Markets

Russian stock markets decreased by 0.9% on Friday, killing all weekly gains. Commodity market remains flat without signal. Weak ruble put a pressure on the stock market. Today trading session opened 1% lower. Another negative factor is low RUB liquidity, but we don't expect sharp decline.

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Forwards	1m.	3m.	6m.	
USD/RUB	30,823	31,1	31,495	
EUR/RUB	42,1	42,634	43,174	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	5,49	0,2	5,49	3,23
MIBOR 1m (%)	5,33	0,46	5,33	3,81
RUONIA 1d (%)	4	0		
Implied NDF yield 6m%	5,77	0,155	5,76	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	210	-10,67	225,25	119
Eurobond Russia 30Y	4,201	0	5,083	3,914
EMBI +	589,5	0,43	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1574,94	-1,81	2123,56	1464,18
Micex	1511,50	-0,90	1859,99	1410,11
S&P 500	1216,01	0,57	1363,61	1119,46
DJIA	11509,09	0,66	12810,54	10607,85
Brent	111,37	-1,29	129,43	67,20



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