

Nordea

Russian Markets - Daily

September 20, 2011

RUB touched new bottom	USD/RUB	31.52	▲
Liquidity is lower due to taxes	EUR/RUB	42.95	▲
Overnight rates are higher	RUB basket	36.66	▲

Hot News

- Finance Minister Kudrin said that the Ministry of Finance is absolutely content with the policy of the CBR regarding the RUB. He also noted that the exchange rate is "adequate". /RIA
- Unemployment fell to 6.1%, the retail sales growth picked up to 7.8% y/y while the fixed capital investment growth slowed down to 6.5% in August. /Rosstat
- "Average wages earned by Russians rose 12.4 percent in nominal terms year-on-year in August to stand at 23,126 roubles (\$757), the Federal Statistics Service said on Monday.
- "Completions of housing units in Russia totaled 47,100 in August, up from 43,800 in the previous month, the Federal Statistics Service said on Monday.

Money Market

Liquidity decreased by 50 bn., however rates continued to increase as long as absolute liquidity level is quite low. Banks have 877 billion rubles on deposit and in correspondent accounts with the Central Bank, which is uncomfortable given tax payment today. VAT will pump out ~RUB150bn from the system and liquidity may reach critical level. Overnight rates will likely stay high near CBR repo rate (5.25%). Repo operations with Central Bank will be very popular these days. CBR increased daily repo limit to RUB250 bn. We expect overnight rates will stay high till the end of the month.

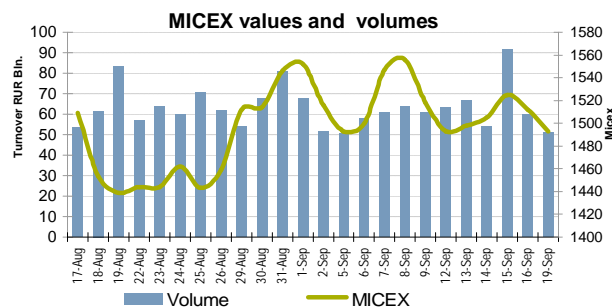
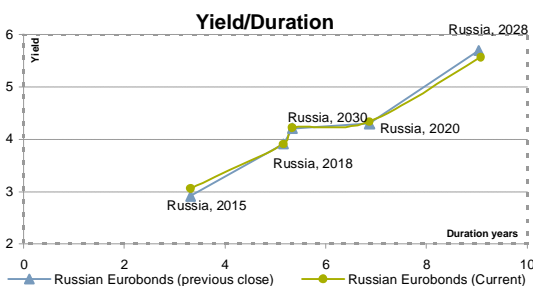
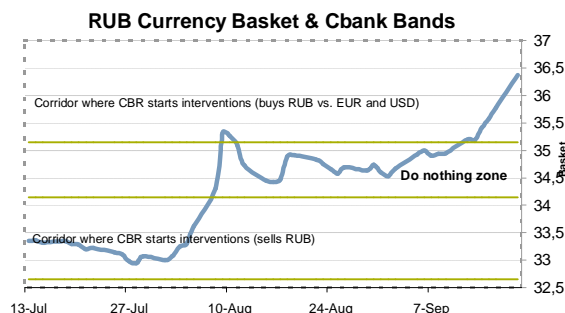
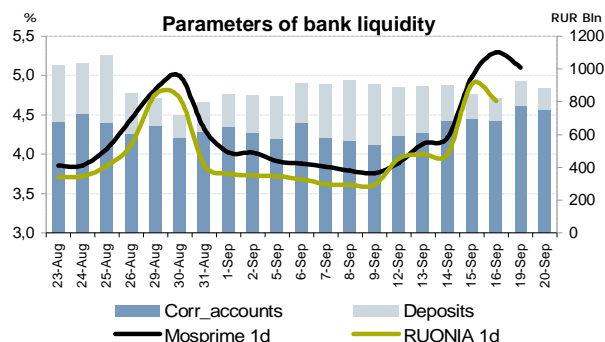
Currency Market

The RUB weakened substantially against the basket, losing 63 kopeck in just one day and finishing at 36.37. RUB lost 73 kopeck against the USD during the daily session. Thus RUB has already lost around 7% since the beginning of the month. It seems like deja vu from the last year, yet now all the Emerging Market currencies are weakening in tact - especially the high beta ones like RUB. It also seems that the Russian government is promoting a weaker RUB - two RUB negative comments last week, one more comment from FinMin today. Weaker currency helps producers/exporters, which now need more support than the consumers, as yesterday's monthly macro numbers revealed. Overall the economy is picking up speed, so RUB should recover eventually. But for the coming weeks while the negative risk sentiment persists in the markets we may see more weakness in RUB. Interestingly, the RUB basket is now trading in the range where the CBR is intervening in a cumulative fashion. The 37.15 mark is the upper bound of the floating corridor - the market participants may be tempted to try test the CBR on that. The market sentiment still negative - tonight the Asia traded in the red and the futures dropped - the markets are concerned following Italy's downgrade by S&P and on rumors that Greece will hold a referendum on euro zone exit. The RUB basket opened nearly 20 kopeck higher.

Debt and Equity Markets

Russian stock markets decreased by 1.2% yesterday. Weak ruble put a pressure on the stock market. Capital outflow from the equity funds totaled more than \$300 mln. last week, which shows investor's negative sentiment. Today trading session opened 1% higher and a flat dynamics is more likely scenario.

Forwards	1m.	3m.	6m.	
USD/RUB	31,425	31,715	32,14	
EUR/RUB	42,744	43,03	43,53	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	5,48	-0,01	5,49	3,23
MIBOR 1m (%)	5,46	0,13	5,46	3,81
RUONIA 1d (%)	4,89	0,89		
Implied NDF yield 6m%	6,06	0,29	6,06	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	226,5	16,5	226,5	119
Eurobond Russia 30Y	4,355	0,154	5,083	3,914
EMBI +	586,41	-3,09	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1526,01	-3,11	2123,56	1467,11
Micex	1493,19	-1,21	1859,99	1410,11
S&P 500	1204,09	-0,98	1363,61	1119,46
DJIA	11401,01	-0,94	12810,54	10662,42
Brent	109,45	-1,72	129,43	67,20



Dmitry Savchenko +7 495 7773477
Aurelija Augulyte +45 3333 6437

Dmitry.Savchenko@nordea.ru
Aurelija.Augulyte@nordea.com

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