

Nordea

Russian Markets - Daily

September 21, 2011

Basket opened lower today	USD/RUB	31.42
Liquidity is higher due to CBR efforts	EUR/RUB	42.99
Overnight rates are high	RUB basket	36.63

Hot News

- By the end of this year in the oil reserve fund will amount to RUB 1,791 trillion, according to Deputy Finance Minister A. Lavrov. Now in the fund has RUB 772.3 bn. The existing budget law for 2011-2013 allows the sovereign funds to be replenished with this year's amendment, by which oil and gas revenues that exceed the threshold of RUB 4,6 trillion may be directed to the reserve fund. Treasury also estimates this revenue to reach RUB 5.4 trillion for this year. /Vedomosti
- French bank BNP Paribas intends soon to close most of its branches in Russia and focus exclusively on the joint project with Russia's Sberbank in lending to the point of sale (POS-lending). /Lenta IMF reduced the GDP growth forecast for Russia from 4.8% to 4.3%. /Lenta
- Russia's central bank sees a positive shift in net private capital flows starting from 2012. The government said that the guidelines also see "steady incremental growth" in capital inflows at \$10-\$15 billion in 2013-14, while the current account balance in 2013-14 will turn negative.

Money Market

Liquidity increased by 52 bn., in spite of tax payments due to CBR and MinFin efforts. Banks have 929 billion rubles on deposit and in correspondent accounts with the Central Bank, which is still uncomfortable level.

Yesterday VAT payments were offset by CBR repo and Ministry of Finance depo auctions. Regulators pumped in more than RUB200 bn. into the banking system and extinguished liquidity squeeze fire. However overnight rates were jacked up. We expect overnight rates will be high near CBR repo rate (5.25%) till the end of the month.

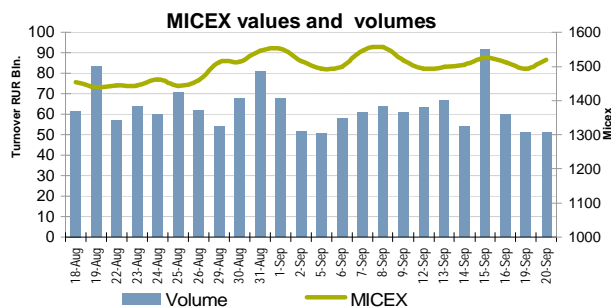
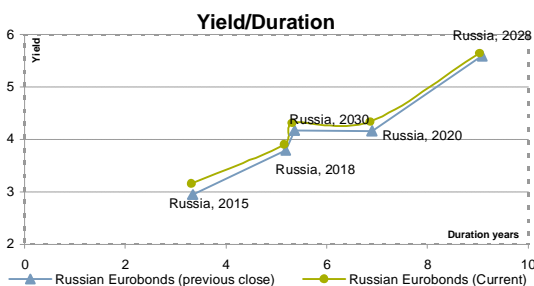
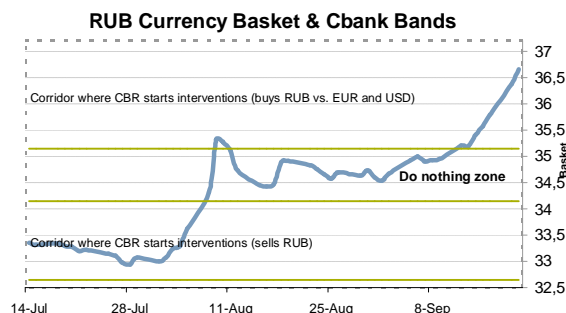
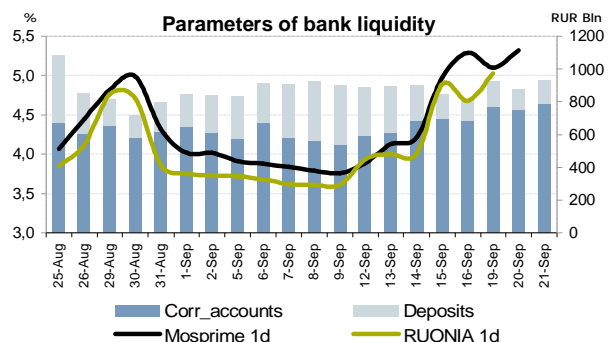
Currency Market

The RUB basket rose a further 20 kopeck yesterday, finishing at 36.57. The CBR is currently present in the market, intervening at the rate of over USD 300 million per day. The upper corridor has been shifted by 5 kopeck and now is 37.20, we estimate. Tonight the equity markets traded in the green zone and oil prices picked up to above USD 110/bbl, up from yesterday's lows of USD 108/bbl. But the market sentiment may turn negative again as the Fed meeting outcome approaches - the markets are pricing in some form of QE3, so if Fed doesn't deliver there will be a negative reaction. Greece reports "progress" in talks, but substantial decisions are postponed to the next weekend, which leaves the markets to be nervous for a few more days at least. The RUB basket opened a few kopeck higher. If RUB weakens further it might be that the CBR will decide to widen the corridor from 5 RUB to 6 RUB - in order to reduce the FX intervention amounts, which would be consistent with their recent rhetorics of allowing more RUB flexibility.

Debt and Equity Markets

Russian stock markets increased by 1.8% yesterday. Weekly dynamics stays flat and in general Russian stock markets looks relatively good in spite of global negative sentiment. Oil prices rebounded to above USD 110/bbl, up from yesterday's lows of USD 108/bbl. Today market focus is on the Fed easing announcement. The Russian Finance Ministry plans to offer no premium on 10-billion rubles of six-year OFZ treasury bills at a top-up auction on Wednesday. The ministry said on Tuesday it will offer an 8.0-8.1% yield for the paper.

Forwards	1m.	3m.	6m.		
USD/RUB	31,471	31,774	32,204		
EUR/RUB	43,142	43,546	44,136		
Money Market	Close	Change	Max 12m	Min 12m	
MosPrime 1M (%)	5,62	0,14	5,62	3,23	
MIBOR 1m (%)	5,46	0	5,46	3,81	
RUONIA 1d (%)	4,68	-0,21			
Implied NDF yield 6m%	6,02	-0,04	6,02	3,17	
Debt	Close	Change	Max 12m	Min 12m	
Russia CDS 5yr	228,75	2,25	228,75	119	
Eurobond Russia 30Y	4,278	-0,077	5,083	3,914	
EMBI +	587,61	1,2	598,99	542,64	
Stock Indexes	Close	Change	Max 12m	Min 12m	
RTSI	1535,62	0,63	2123,56	1477,01	
Micex	1519,95	1,79	1859,99	1410,11	
S&P 500	1202,09	-0,17	1363,61	1119,46	
DJIA	11408,66	0,07	12810,54	10662,42	
Brent	110,59	1,04	129,43	67,20	



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

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

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