

Nordea

Russian Markets - Daily

September 23, 2011

CBR tries to restrain basket	USD/RUB	32.08	▲
Depo&repo operations helped Money Market	EUR/RUB	43.40	▲
Rates are still high	RUB basket	37.16	▲

Hot News

- In the week from 9 to 16 of September the CBR's international reserves decreased by USD 6.8bn. Thus the total reserves constituted USD 532bn as of the 16 of September. /CRB
- International ratings agency Fitch said that they might raise the Russia's sovereign rating if the tendencies of more flexible RUB, lower inflation, absence of political instability and no drop in oil prices resume, said head Emerging Markets analysis team E. Parker. /Interfax
- Russia's top lender Sberbank said on Thursday it had relaunched its depository receipt (DR) programme, which was suspended last week, without saying how many shares had been converted into receipts.
- Russian policymakers attempt to support the ruble with verbal intervention. Central bank first deputy chairman Alexei Ulyukayev said the real danger is not in the weakness of the currency but in its volatility, adding that the rouble will eventually recover. Ulyukayev's note follows comments from Deputy Economy Minister Andrei Klepach also said the rouble should become stronger, adding its fair value would be around 26-27 per dollar.
- Deputy Prime Minister Igor Sechin, Russia's top oil official, has authorised a cut in oil export duty from October, although a permanent cut has yet to be enshrined in customs law. From Oct. 1, the government will use a coefficient of 60 to calculate the crude oil export duty, down from 65, while export duty for all refined products, except for gasoline and naphtha, will be set at 66 percent of the crude export fee.

Money Market

Liquidity continues to stay stable thanks to CBRs' and MinFins' depo and repo auctions. Today banks have 924 billion rubles on deposit and in correspondent accounts with the Central Bank. However story is not over yet. Yesterday Ministry of Finance timely offered extra liquidity via depo auctions (~RUB180 bn.). Also CBR conducted repo auctions. These urgent measures helped money market. Overnight rates were stable around 5% and will probably stay near this level till the end of the month. Next week tax payments can deteriorate liquidity, but CBRs' and MinFins' efforts vanish the fears of severe liquidity squeeze.

Currency Market

The RUB retreated further against the basket, rising 35 kopeck for the day and closing at 37.04. The jump was on the opening and the basket remained around these levels for the rest of the session. The negative sentiment in the global markets turned into panic yesterday - it was nearly a "black Thursday". The Russian equities lost 7% in a day, and even the US equities drop over the past two days was largest since 2008. Tonight the Asian markets bled with another 1-2%. Oil, Russia's blood, also fell yesterday and traded at only USD 106/bbl here in the morning. Weekend is approaching - G20 meeting, Greece negotiating another support tranche. It seems that the default may be nearing, as the Greece finance minister comments of a potential "orderly" default with 50% haircut hit the wire.

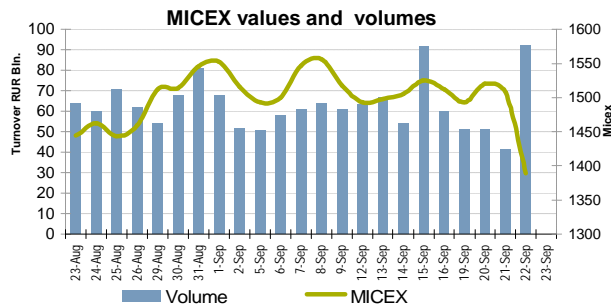
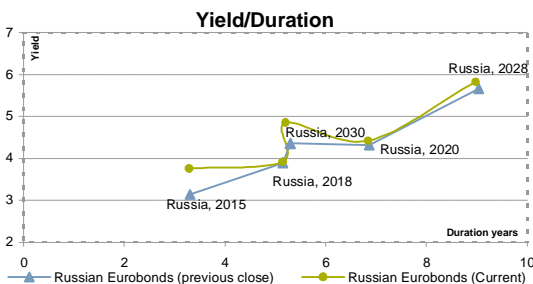
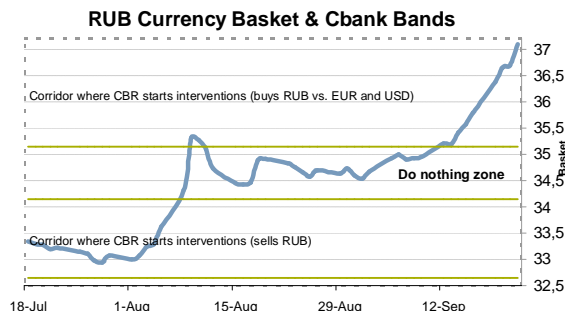
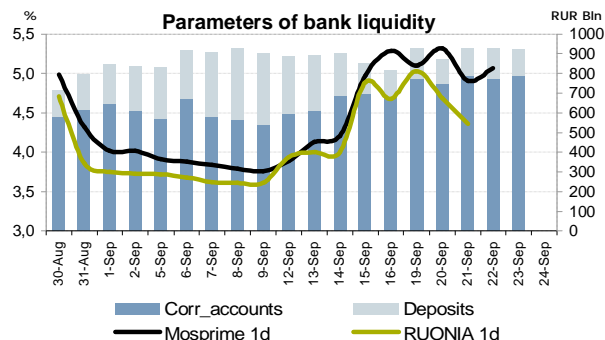
The RUB opens at around 37.20 - close to the floating corridor (now 37.25), where the CBR will sell USD 600m per day to protect RUB. This is no good time to take risks.

Debt and Equity Markets

Russian stock markets slumped yesterday (-7%) and today's opening was 2% lower. But currently market filled morning gap and tries rebound. However technically 1300 is the Micex target.

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Forwards	1m.	3m.	6m.	
USD/RUB	32,167	32,45	32,942	
EUR/RUB	43,599	43,882	44,382	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	5,59	0	5,62	3,23
MIBOR 1m (%)	5,58	0	5,6	3,81
RUONIA 1d (%)	4,36	-0,33		
Implied NDF yield 6m%	6,34	0	6,34	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	287,83	0	287,83	119
Eurobond Russia 30Y	4,929	0	5,083	3,914
EMBI +	575,32	0	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1387,86	0,00	2123,56	1387,86
Micex	1389,43	0,00	1859,99	1389,43
S&P 500	1129,56	-3,19	1363,61	1119,46
DJIA	10733,83	-3,51	12810,54	10662,42
Brent	106,07	0,00	129,43	67,20



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