

Nordea

Russian Markets - Daily

October 03, 2011

| | | | |
|-------------------------------------|------------|-------|---|
| RUB basket has grown | USD/RUB | 32.55 | ▲ |
| CBR is supporting RUB and MM | EUR/RUB | 43.41 | ▲ |
| Rates stabilized | RUB basket | 37.46 | ▲ |

Hot News

- As of October 1, a new system for calculating duties on oil - the so-called 60/66 - came into force. According to it the export duty on heavy petroleum products rises from the current 47% of the duty on oil to 66% of the duty on crude oil. Duty on diesel remains at 66% of the duty on crude oil, and the duty on all types of gasoline will be 90% of the duty on crude oil. The goal of the 60/66 system is to increase the exports of oil, according to Ministry of Economic Development. /Interfax
- Turkish Energy Minister T. Yildiz said on Saturday that his country refuses to purchase gas coming from Russia by the "western route" (through Ukraine and Bulgaria). According to CNN-Turk, a decision is explained by the fact that the Russian side did not want to give the Turks a discount on fuel. The contract, which Turkey has decided not to extend, expires in December 2011. /Lenta
- In an interview with the three federal TV channels on Friday President Dmitry Medvedev explained why he will not run for the post in the next elections: "Prime Minister Putin, of course, is currently the most respected politician in our country, and his approval rating is slightly higher." /Vedomosti
- The Russian capital has risen by seven steps in the ranking of the world's financial centers published by the British group Z / Yen. Moscow is now on the 61st place, up from the 68th in March. /Lenta

Money Market

Russian banks are still in despair for Rub liquidity, despite the fact that the tax payment period is already over. Interbank lending and repo deals rates are the same. Repo auctions, providing by CBR, are still in demand. CBR gave the market more than 191 bln RUB on Friday. Current situation on stock and money market is causing liquidity shortage.

Currency Market

The RUB weakened against the EUR and USD basket on Friday, closing 15 kopeck above the previous day's close - at 37.21. It's still the same global story, dragging the world's markets - Russian equities were no exception, losing over 3% on Friday. Unfortunately the end of Q3 did not mark the change in the sentiment. It's still the panic mode in the markets, with the Chinese equities losing nearly 5% tonight! All Europe and the US is deeply red in the futures market, thus the outlook is for another bloody day with no significant events on the agenda today to stop that. The front month Brent oil futures retreated to just USD 102/bbl, thus remaining just around the levels the budget is based on for the coming few years - we thus think it's a sensitive level for RUB, with any drops below posing risks for RUB. RUB basket opened 30 kopeck higher and we are thus again approaching upper limit of the floating band where the CBR will intervene heavily to support RUB.

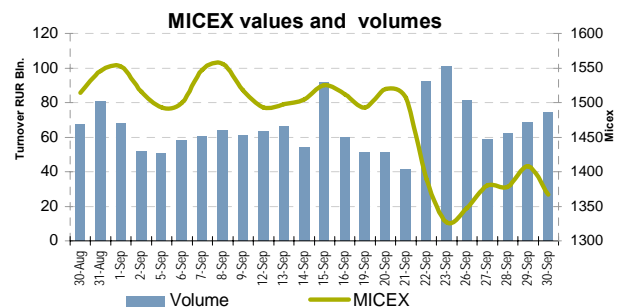
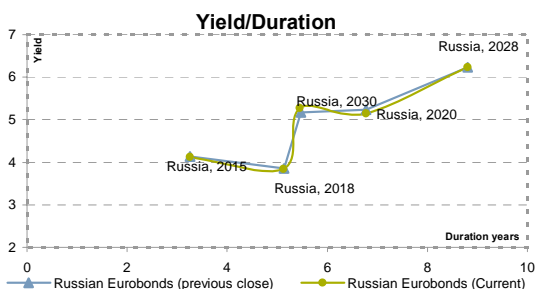
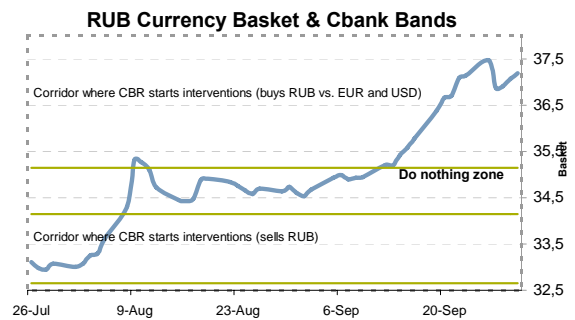
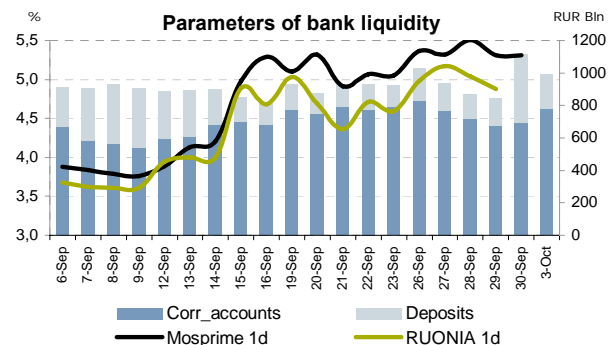
Debt and Equity Markets

MICEX Index was 11.6% down in September. Decreasing tendency is on the market since the very beginning of September - following global markets fears of USA recession and EU debt crisis. Russian eurobond market followed domestic stock market movements, cause the influence forces were just the same. Russian eurobonds' prices fell, meanwhile UST were in good demand - as a result government bonds' spreads widened. The tendency is the same today. We see MICEX Index decreasing (on 2.78%) on the stock exchange opening today due to the negative global markets condition.

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| Forwards | 1m. | 3m. | 6m. | |
|-----------------------|----------|--------|----------|----------|
| USD/RUB | 32,328 | 32,884 | 33,349 | |
| EUR/RUB | 43,065 | 43,7 | 44,34 | |
| Money Market | Close | Change | Max 12m | Min 12m |
| MosPrime 1M (%) | 6,22 | 0,01 | 6,33 | 3,23 |
| MIBOR 1m (%) | 6,04 | 0,01 | 6,04 | 3,81 |
| RUONIA 1d (%) | 5,04 | -0,13 | | |
| Implied NDF yield 6m% | 6,97 | 0,3 | 8,48 | 3,17 |
| Debt | Close | Change | Max 12m | Min 12m |
| Russia CDS 5yr | 306,75 | 21,25 | 306,75 | 119 |
| Eurobond Russia 30Y | 5,271 | 0,15 | 5,298 | 3,914 |
| EMBI + | 572,06 | -1,45 | 598,99 | 542,64 |
| Stock Indexes | Close | Change | Max 12m | Min 12m |
| RTSI | 1341,09 | -3,46 | 2123,56 | 1315,25 |
| Micex | 1366,54 | -2,92 | 1859,99 | 1327,19 |
| S&P 500 | 1131,42 | -2,50 | 1363,61 | 1119,46 |
| DJIA | 10913,38 | -2,16 | 12810,54 | 10719,94 |
| Brent | 102,01 | -2,22 | 129,43 | 67,20 |



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