

Nordea

Russian Markets - Daily

October 04, 2011

| | | | |
|-------------------------------------|------------|-------|---|
| RUB basket decrease slightly | USD/RUB | 32.79 | ▲ |
| We feel CBR back on FX&M | EUR/RUB | 43.17 | ▲ |
| Rates are still high | RUB basket | 37.44 | ▼ |

Hot News

- In 2012 the Bank of Russia expects a net outflow of private capital from Russia at USD15bn in case of a decrease in the average price of Urals crude to USD 75 per barrel. With the price of oil at USD 100 per barrel the CBR expects the balance of cross-border flows of private capital. If the average price in 2012 rises to USD 125 per barrel, the net capital inflows could reach USD 10 bn, expects the Central Bank. Such forecasts are given in the Bank of Russia issued draft guidelines for the single state monetary policy for 2012, 2013 and 2014. /Interfax
- The oil reserve fund will grow to RUB 1,6585 trillion at the end of 2011, RUB 2,220 trillion at the end of 2012, RUB 2,8101 trillion at the end of 2013, RUB 3,9472 trillion at the end of 2014. This is stated in a memorandum to the draft federal budget for 2012-2014, published on the Ministry of Finance. /Interfax
- The Customs Union and the Common Economic Space, which now unites Russia, Belarus and Kazakhstan, and which will be joined by Kyrgyzstan and Tajikistan, in the future will be the basis for the Eurasian Economic Union, revealed Prime Minister Vladimir Putin in an article for the newspaper "Izvestia". This will be possible with greater coordination of economic and monetary policy, he said. The new alliance will not become the new Soviet Union, or replacement of the CIS, but it will become an effective link between Europe and the Asia-Pacific region and one of the poles in the modern world, expects the prime minister. /Vedomosti

Money Market

Rates and rub liquidity demand are still high. Repo auction of one-day-term injected 187 bln Rub into the money market.

Currency Market

The RUB basket picked up a further 20 kopeck, closing at 37.41. During the seson the basket rose to just above 37.50 where the CBR intervened likely with amounts exceeding the rate of USD 600 million per day, thus the basket retreated in the later part of the session. Now the upper range of the floating band could be around 37.60 - 37.70, we estimate. The markets remain sour today, with Asian equities losing over 1%. The Greek drama still dominates and there is no light at the end of the tunnel yet - the Euro zone finance ministers cancelled the October 13 meeting on the next tranche to Greece and decided to postpone the key decisions until November. Procrastination in these markets is no good. The oil prices also keep declining slowly - the front month Brent traded at around USD 101.5/bbl here in the morning, and the only hope is the support line of the trend which started in December 2008 which is exactly at USD 100/bbl now. Today the RUB basket starts a few kopeck lower.

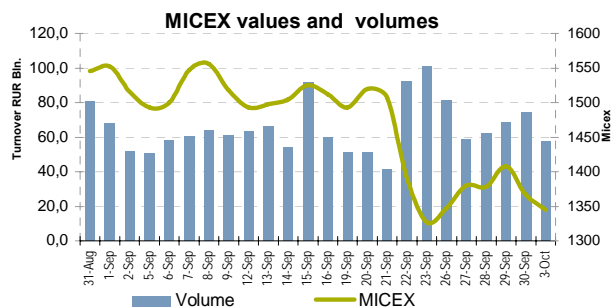
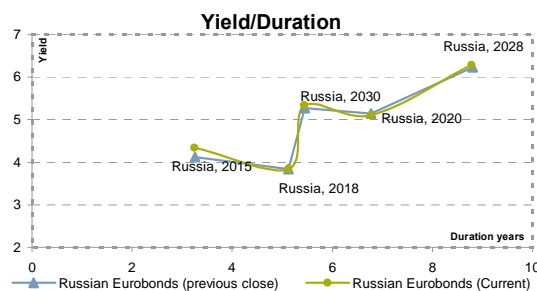
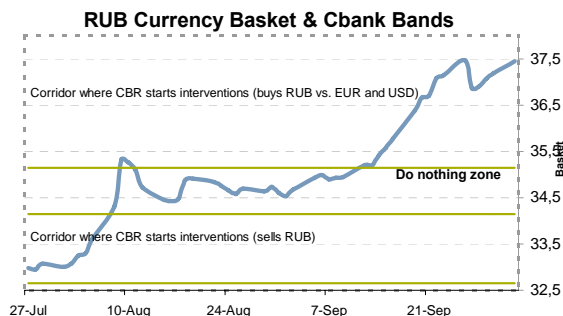
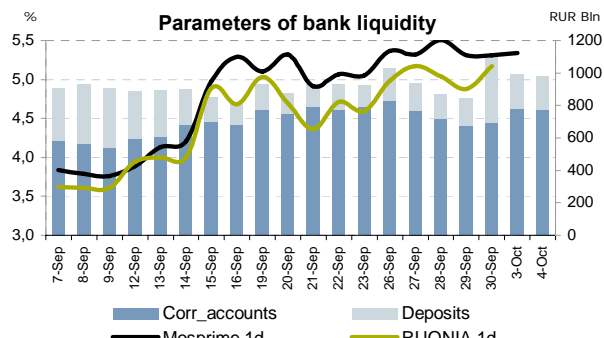
Debt and Equity Markets

Greece debt problem toughening put some pressure on Russian stock market – MICEX Index decreased on 1.6% (till 1344.7). There is a negative background for Russian markets today: Asian markets are depressed, oil price is under pressure, and futures on the US indexes run a slight surplus. Markets' attention is focused on news from ECB.

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

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

| Forwards | 1m. | 3m. | 6m. | |
|-----------------------|----------|--------|----------|----------|
| USD/RUB | 32,823 | 33,204 | 33,686 | |
| EUR/RUB | 43,3 | 43,805 | 44,44 | |
| Money Market | Close | Change | Max 12m | Min 12m |
| MosPrime 1M (%) | 6,31 | 0,09 | 6,33 | 3,23 |
| MIBOR 1m (%) | 6,09 | 0,05 | 6,09 | 3,81 |
| RUONIA 1d (%) | 4,88 | -0,16 | | |
| Implied NDF yield 6m% | 6,93 | -0,04 | 8,48 | 3,17 |
| Debt | Close | Change | Max 12m | Min 12m |
| Russia CDS 5yr | 293 | -13,75 | 306,75 | 119 |
| Eurobond Russia 30Y | 5,359 | 0,088 | 5,359 | 3,914 |
| EMBI + | 571,98 | -0,08 | 598,99 | 542,64 |
| Stock Indexes | Close | Change | Max 12m | Min 12m |
| RTSI | 1291,70 | -3,68 | 2123,56 | 1291,70 |
| Micex | 1344,66 | -1,60 | 1859,99 | 1327,19 |
| S&P 500 | 1099,23 | -2,85 | 1363,61 | 1099,23 |
| DJIA | 10655,30 | -2,36 | 12810,54 | 10655,30 |
| Brent | 100,83 | -1,16 | 129,43 | 67,20 |



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