

Nordea

Russian Markets - Daily

October 07, 2011

RUB gained modestly	USD/RUB	32.14	▼
Liquidity is uncomfortable	EUR/RUB	43.19	▼
Rates are lower thanks to CBR	RUB basket	37.14	▼

Hot News

- According to CBR Deputy Chairman Ulyukayev, the RUB floating band stood at 32.60 – 37.60 yesterday. He said that the RUB is more likely to strengthen than to weaken now. CBR sold USD 10bn defending RUB since the start of September. /Interfax
- Talking on capital outflows the CBR said they expected USD 50bn in outflows as a whole. So far for the nine months the recorded outflows are at USD 49.3. Ulyukayev said he didn't exclude the possibility of inflows for the rest of the year. /Interfax
- If oil prices fall to USD 80/bbl the Russian economy will slow down to 2-2.5%, according to Minister of Economic Development E. Nabiulina. /Interfax
- Prime Minister Vladimir Putin named former Finance Minister Alexei Kudrin, one of the best specialists in the world. He also noted that in spite of the "emotional crash" Kudrin will remain a member of the team and will work closely with government, because he is a "useful and necessary man". /Interfax
- In future government will not take populist decisions at the expense of macroeconomic stability, said Prime Minister V. Putin. "The cornerstone of our work should be financial discipline and compliance with macroeconomic indicators" – he said. /Interfax

Money Market

Liquidity decreased further and reached unusual lows. Today banks have only 816 billion rubles (-27 bn.) on deposit and in correspondent accounts with the Central Bank. From the one side, liquidity is suffer from Central Bank currency market interventions. During this week CBR could buy up to 100 bn. rubles in order to support Russian currency. But from the other side CBR tries to offset this by conducting REPO auctions. However the task is very difficult and total liquidity level is unusually low for the current decade. Overnight rates decreased only because of seasonal factor. But when the tax payment period come money market will likely face new squeeze.

Currency Market

The RUB strengthened against the EUR and USD basket for the third day in a row on Thursday, falling to 37.31. The "open mouth" operations continue with yesterday's Ulyukayev's RUB positive comments like expectation of RUB strengthening and potential for capital inflows. The floating band currently at 37.60, which he announced, alongside the "more than usual" intervention amounts implies that the CBR is serious about defending RUB. They do not want a much weaker RUB and Ulyukayev named inflation risks again yesterday – saying they want inflation at 4-5% in the coming years. The overall market sentiment is positive today after yesterday's aggressive liquidity support announcements from BoE and ECB. The commodity currencies are performing as the oil prices jumped up to USD 105.6/bbl here in the morning. So the RUB opens much stronger, reaching out for 37.10 in the first minutes of the trading session. Talks on the progress in discussions on bank recapitalization in the euro area should support the risk appetite. Only weak US non-farm payrolls could spoil the mood.

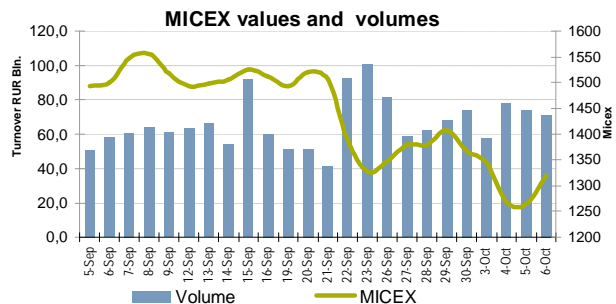
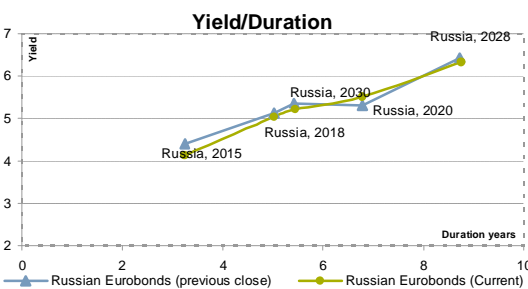
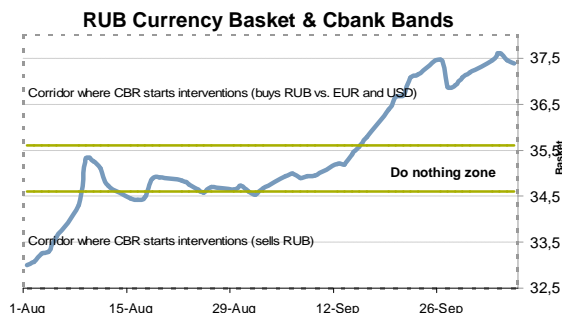
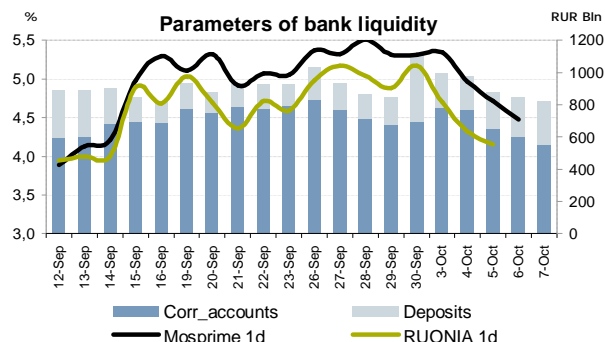
Debt and Equity Markets

MICEX Index shower robust growth yesterday (+4%). Oil rebounded and trades higher \$105 today. Russian market opened 1% higher today. Technically we saw quite good support at 1200-1300 for the MICEX index. PE ratios reached very attractive levels for some of the blue chips.

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Forwards	1m.	3m.	6m.	
USD/RUB	32,463	32,811	33,296	
EUR/RUB	43,547	43,83	44,33	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	5,99	-0,07	6,33	3,23
MIBOR 1m (%)	5,87	-0,17	6,09	3,81
RUONIA 1d (%)	4,32	-0,38		
Implied NDF yield 6m%	6,425	-0,555	8,48	3,28
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	291	-14	306,75	119
Eurobond Russia 30Y	5,136	-0,2	5,48	3,914
EMBI +	575,19	4,57	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1271,71	3,74	2123,56	1217,21
Micex	1318,29	4,28	1859,99	1265,67
S&P 500	1164,97	1,83	1363,61	1099,23
DJIA	11123,33	1,68	12810,54	10655,30
Brent	105,91	3,49	129,43	67,20



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