

Nordea

Russian Markets - Daily

October 10, 2011

RUB gained	USD/RUB	31.98	▼
MM can face liquidity squeeze	EUR/RUB	43.12	▼
Rates can start to increase	RUB basket	37.00	▼

Hot News

- Russia's largest state bank Sberbank is a potential buyer of the business section of the Franco-Belgian financial group Dexia, namely the Turkish asset - DenizBank, said on Friday the newspaper Les Echos. This comes after the decision of Dexia's board last Monday to sell Dexia healthy units, including the management company Dexia Asset Management, a retail bank DenizBank in Turkey and the Belgian bank. /Vedomosti
- The Russian government intends to sign with China a memorandum on cooperation in the field of modernization. According to Vice-Premier Alexander Zhukov, the document will be signed during his visit to China by Prime Minister Vladimir Putin which began today.
- Previously Russia signed an agreement on the modernization of only the developed countries in Europe and America, with the only exception of South Korea. The Russian government officials believe that under the memorandum and China will help Russia modernize the economy, and vice versa - Russia help China's. Until now Russia has been selling in China mainly raw materials and buys machinery and technical products. /Kommersant
- Consumer confidence improved by 2 percentage point in Q3 to -7%. The improvement was due to a more positive perception of the overall economic situation, improvement of incomes and favourable conditions for large purchases. /Rosstat

Money Market

Liquidity decreased and the current level makes Money Market very vulnerable. Today banks have 812 billion rubles (-4 bn.) on deposit and in correspondent accounts with the Central Bank. Ruble liquidity was deteriorated by Central Bank currency market interventions (buying RUB) and corporate external debt redemptions. From the other side CBR tries to offset these factors by conducting REPO auctions providing market with additional liquidity under 5.25% (daily limit is set at 200 bn.). However we expect reiteration of the liquidity squeeze during the third decade due to tax payments. Ministry of Finance Depo auctions can make the anticipating squeeze less severe.

Currency Market

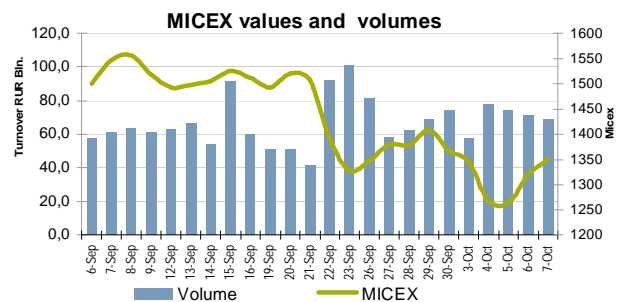
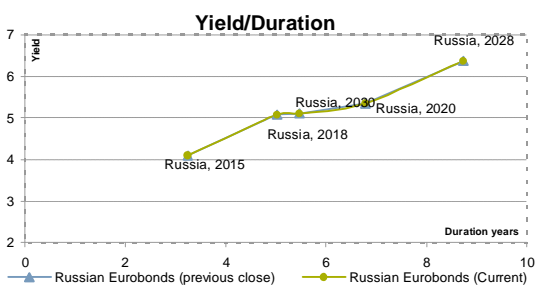
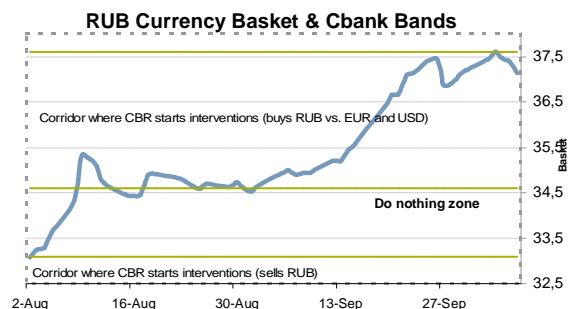
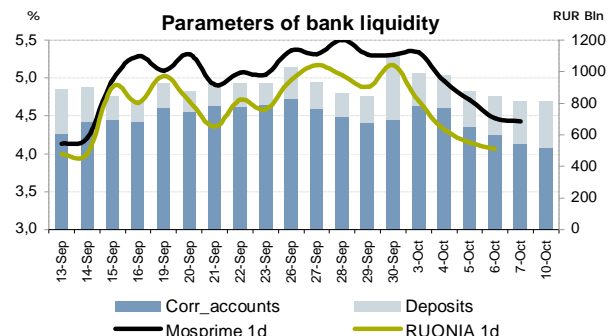
The RUB strengthened further on Friday against the EUR and USD basket, finishing the day at 37.08, which was 23 kopeck below the previous close. So the basket is now 52 kopeck below the 2-year peaks (37.60) reached on October 4th. Now that the Russian authorities have clearly expressed their position regarding RUB - namely, hinting they see it stronger and defending it vigorously - RUB can only be negatively affected by the global risks. The perception of the latter has been decreasing, with a huge positive surprise on Friday - US payrolls. Moreover, Germany's Merkel and France's Sarkozy announced yesterday that the comprehensive solution to the European debt problems is coming before the end of October - which is earlier than was hinted before (end of November). The equities start the week in the green zone and the Brent oil prices have been lifted to USD 106/bbl now. RUB heads for the 37.00 now and there is no big news on the agenda to stop the move.

Debt and Equity Markets

MICEX Index continued confident growth on Friday (+2.5%). Oil rebounded and trades higher \$106 today. Russian market opened slightly higher today. Technically we saw quite good support at 1200-1300 for the MICEX index and some big players started to accelerate purchases.

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Forwards	1m.	3m.	6m.	
USD/RUB	32,219	32,509	32,969	
EUR/RUB	43,4181	43,7924	44,4213	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	5,87	-0,12	6,33	3,23
MIBOR 1m (%)	5,88	0,01	6,09	3,81
RUONIA 1d (%)	4,15	-0,17		
Implied NDF yield 6m%	5,9	-0,525	8,48	3,3
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	285	-6	306,75	119
Eurobond Russia 30Y	5,127	-0,009	5,48	3,914
EMBI +	576,3	1,11	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1311,91	3,16	2123,56	1217,21
Micex	1351,42	2,51	1859,99	1265,67
S&P 500	1155,46	-0,82	1363,61	1099,23
DJIA	11103,12	-0,18	12810,54	10655,30
Brent	106,23	0,30	129,43	67,20



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