

Nordea

Russian Markets - Daily

October 11, 2011

| | | | |
|-----------------------------------|------------|-------|---|
| RUB showed robust growth | USD/RUB | 31.41 | ▼ |
| MM can be supported by CBR | EUR/RUB | 42.82 | ▼ |
| Rates reached local lows | RUB basket | 36.55 | ▼ |

Hot News

- The CBR has sold around USD 2-3bn so far this month, said Deputy CBR governor Ulyukayev, adding that interventions have declined in October relative to the previous month due to the stabilization of demand and supply for foreign exchange. The floating exchange rate corridor for the basket is now at RUB 32.7-37.7. /Reuters
- The head of CBR Ignatyev said that RUB has more chances to strengthen than to weaken now. Commenting on the liquidity situation Ignatyev said that there should be no problems – the bank could easily increase the liquidity provision from the current RUB 200bn to RUB 1 trillion per day. /Interfax
- The Russian government does not plan to increase external or domestic borrowing above the initial 2012-2014 budget plan, said acting FinMin Siluanov. According to him the Russian public debt will be less than 11% of GDP in 2011 and increase slightly to 13% of GDP in 2012, remaining low by European standards. /Interfax
- China and Russia signed a package of trade and investment agreements worth USD 7.1bn on Monday, with officials from both
- countries pledging to strengthen economic cooperation amid the global debt crisis. /Reuters

Money Market

Liquidity increased. Today banks have 916 billion rubles (+104 bn.) on deposit and in correspondent accounts with the Central Bank. Commenting on the liquidity situation the head of CBR Ignatyev said that there should be no problems – the bank could easily increase the liquidity provision from the current RUB 200bn to RUB 1 trillion per day. This statement adds confidence. However we do not expect a liquidity squeeze during the third decade of the month due to tax payments. Overnight rates can approach CBR Repo rate at 5,25%.

Currency Market

RUB strengthened significantly against the EUR and USD basket yesterday, closing at 36.7, which was 38 kopeck below the previous day's close. Thus during the past 4 days RUB strengthened by 90 kopeck. RUB was positively affected by the favorable global risk sentiment boosted by Friday's non-farm payrolls and Sunday's Merkozy comments on the solution to European problems coming soon. But even more than that – RUB was supported by the positive comments from the key people at the Central Bank of Russia yesterday. CBR head Ignatyev repeated the last week's Deputy Chairman's Ulyukayev's comment that "RUB has now more chance to strengthen rather than weaken". Ulyukayev himself was out yesterday saying that the supply and demand balance has changed and they intervene less now. The RUB bands are at 32.70 – 37.70 now and we estimate the CBR sells around USD 300-400m per day, which is several times lower than amounts they sold when RUB breached the upper band level. The markets are optimistic today and RUB opens much lower again, trading at 36.55 in the first minutes of the session.

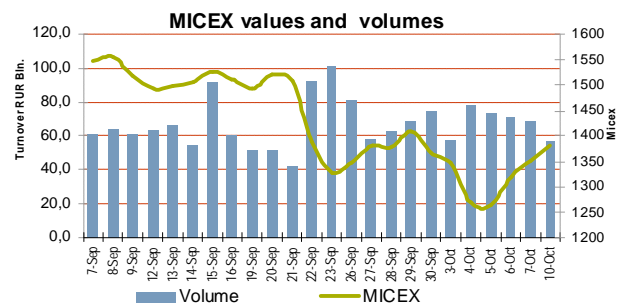
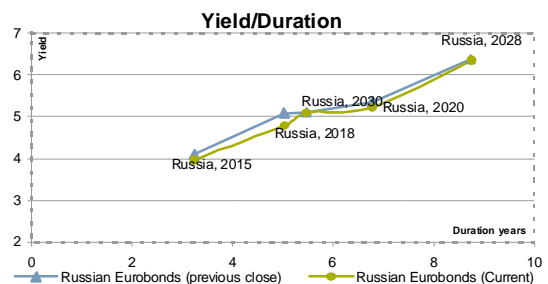
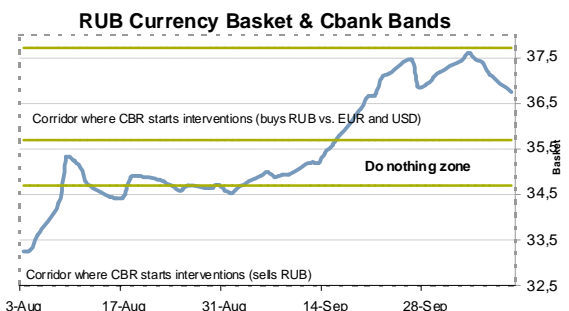
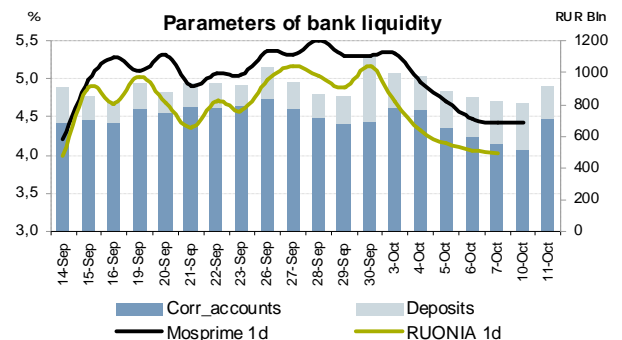
Debt and Equity Markets

MICEX Index continued growth yesterday (+2.2%). Oil gained as risk appetite started to restore, supporting Russian market. Today Russian market opened on the same levels. Locally Micex index can drop slightly due to technical reason but further we expect the continuation of growth.

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| Forwards | 1m. | 3m. | 6m. | |
|-----------------------|----------|--------|----------|----------|
| USD/RUB | 31,704 | 31,994 | 32,342 | |
| EUR/RUB | 43,137 | 43,417 | 43,917 | |
| Money Market | Close | Change | Max 12m | Min 12m |
| MosPrime 1M (%) | 5,86 | -0,01 | 6,33 | 3,23 |
| MIBOR 1m (%) | 5,76 | -0,12 | 6,09 | 3,81 |
| RUONIA 1d (%) | 4,07 | -0,08 | | |
| Implied NDF yield 6m% | 6,14 | 0,24 | 8,48 | 3,3 |
| Debt | Close | Change | Max 12m | Min 12m |
| Russia CDS 5yr | 285 | 0 | 306,75 | 119 |
| Eurobond Russia 30Y | 5,016 | -0,111 | 5,48 | 3,914 |
| EMBI + | 576,3 | 0 | 598,99 | 542,64 |
| Stock Indexes | Close | Change | Max 12m | Min 12m |
| RTSI | 1365,73 | 4,10 | 2123,56 | 1217,21 |
| Micex | 1380,86 | 2,18 | 1859,99 | 1265,67 |
| S&P 500 | 1194,89 | 3,41 | 1363,61 | 1099,23 |
| DJIA | 11433,18 | 2,97 | 12810,54 | 10655,30 |
| Brent | 108,70 | 2,33 | 129,43 | 67,20 |



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