

Nordea

Russian Markets - Daily

October 12, 2011

RUB continued growth	USD/RUB	31.39	▼
MM faces difficulties	EUR/RUB	42.88	
Rates expectedly increased	RUB basket	36.56	▼

Hot News

- CBR sees no risk for the largest (top-30) Russian banks to violate the capital adequacy requirement, said the director of department of licensing and financial rehabilitation of credit institutions of the CBR M. Sukhov. "Owners of these banks have sufficient resources to maintain a predictable changes of capital", - he stressed. Mr Sukhov expressed the opinion that the probability of events in August-September 2008 in Russia is extremely low. /Interfax
- Prime Minister Vladimir Putin said that he wants the negotiations on Russia's accession to the World Trade Organization (WTO) to be completed in 2011, "I would like very much hope that we can complete this process and this year. For our part we have done everything for this to happen". /Vedomosti
- China Investment Corp will invest USD 1bn in a joint Russia-China Investment Fund which will be set up in partnership with Russia to promote direct investment, the head of Russian state development bank (VEB) Vladimir Dmitriev said. The investment horizon for the fund would be around seven years, and the fund would seek outside investments that would be four times the original capital commitments of the two state investment bodies, according to Dmitriev. /Reuters
- Russia's former Finance Minister A. Kudrin will leave all the official positions he held alongside his government post, said President Medvedev's top economic adviser Dvorkovich. Kudrin "will leave the posts of chairman of the Financial Markets Council, the National Banking Council and (posts) in other structures, including international ones where he represented Russia's interests," he said. /Reuters

Money Market

Liquidity increased but rates also showed upward dynamics. Today banks have 981 billion rubles (+65 bn.) on deposit and in correspondent accounts with the Central Bank. Yesterday demand for the RUB was relatively high. Central Bank conducted two Repo auctions with total demand over RUB300 bn. Overnight rates increased and at the end of the day some banks took rubles under 7% for the one day. However the weighted daily rate was around 5%-5.5%.

We do not expect quite severe liquidity squeeze during the third decade of the month as long as tax payments will deteriorate the liquidity.

Currency Market

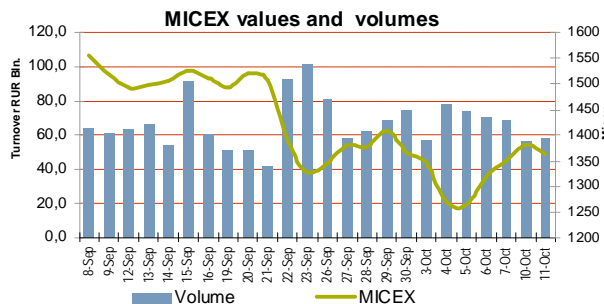
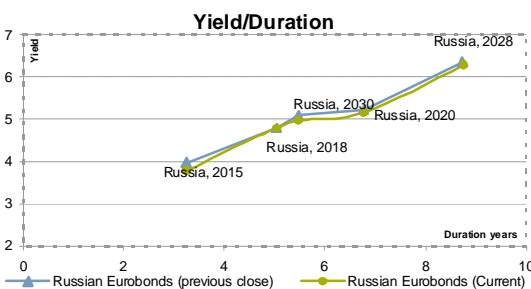
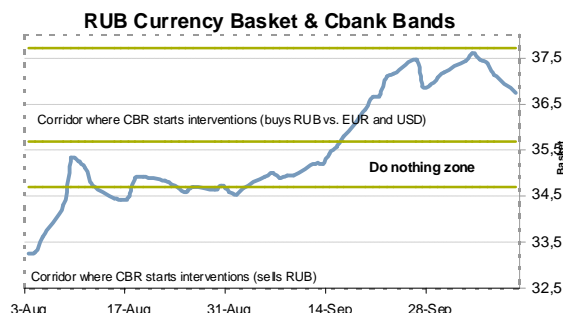
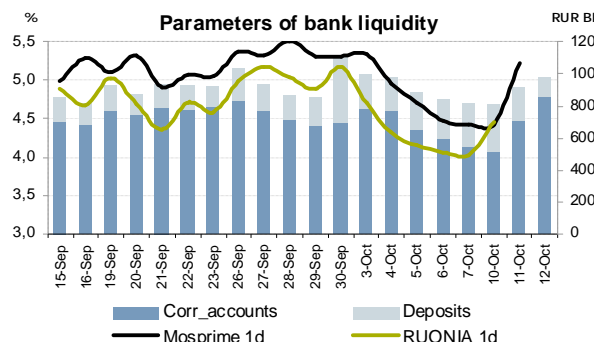
RUB strengthened slightly against the EUR and USD, currently ruble trades at 31.39 versus USD and 42.88 versus EUR. Oil continue to show quite positive dynamics, supporting commodity-based currencies. High rates indicate quite high ruble demand on the interbank market, which also supports ruble.

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.

Debt and Equity Markets

MICEX Index dropped yesterday by 1.2%. However this retreat was due to some technical factors. Oil gained further and trades today near \$111 per Brent barrel. Locally Micex index can stay flat but we expect further continuation of growth. Some participants are getting ready for the robust growth during third quarter.

Forwards	1m.	3m.	6m.	
USD/RUB	31,715	32,01	32,48	
EUR/RUB	43,134	43,417	43,917	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	5,94	0,08	6,33	3,23
MIBOR 1m (%)	5,76	0	6,09	3,81
RUONIA 1d (%)	4,03	-0,04		
Implied NDF yield 6m%	6,43	0,29	8,48	3,3
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	285	0	306,75	119
Eurobond Russia 30Y	4,974	-0,042	5,48	3,914
EMBI +	580,62	4,32	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1355,21	-0,77	2123,56	1217,21
Micex	1364,06	-1,22	1859,99	1265,67
S&P 500	1195,54	0,05	1363,61	1099,23
DJIA	11416,30	-0,15	12810,54	10655,30
Brent	110,69	1,83	129,43	67,20



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