

Nordea

Russian Markets - Daily

October 14, 2011

RUB increased	USD/RUB	30.99	▼
CBR is ready to help MM	EUR/RUB	42.72	▲
Overnight rates stay high	RUB basket	36.27	▼

Hot News

- The volume of international reserves of the Russian Federation as of October 7, 2011 was USD 510.4 bn. Thus, for the week of international reserves decreased by USD 6.4 bn. /CBR
- According to preliminary estimates of the Finance Ministry the federal budget surplus for the first 9 months amounted to 2.8% of GDP. /Interfax
- The decision to limit the growth rates in the tariffs for utilities is not subject to revision, Prime Minister Vladimir Putin at a meeting of the Presidium of the Russian government. All decisions taken to limit the growth rates in most of the natural monopolies are "final and will not review them" - he added. /Interfax

Money Market

Liquidity decreased and today banks have 1002 billion rubles (-158 bn.) on deposit and in correspondent accounts with the Central Bank. Yesterday demand for the RUB remained high but situation seems to calm down. Central Bank on the daily basis conduct Repo auctions with increased limit of ~RUB400 bn. Yesterday demand on repo auction remained relative high but we didn't see any agiotage like on Wednesday. Overnight rates stabilized around 5%. In the end of the month situation on the Money Market will be tough, but Central Bank can increase REPO limit to 1 trillion ruble in order to mitigate the problems. Today we expect profit tax payments will pump out ~30 bn. from the system, which is not a sizable amount. Next huge payment will be on October 20 (VAT ~150 bn.).

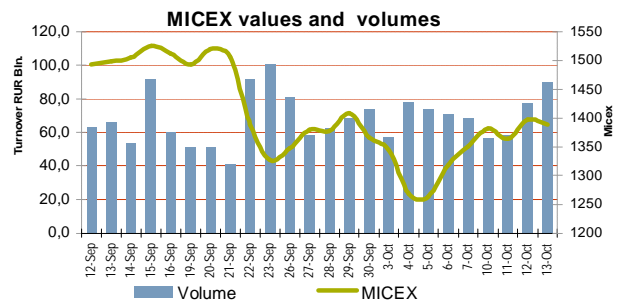
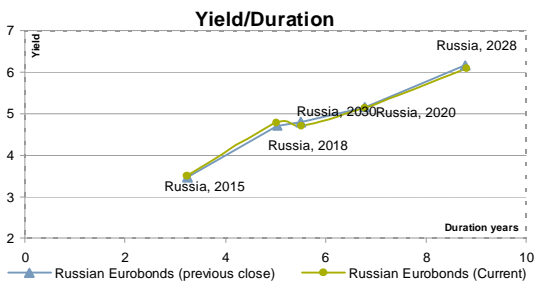
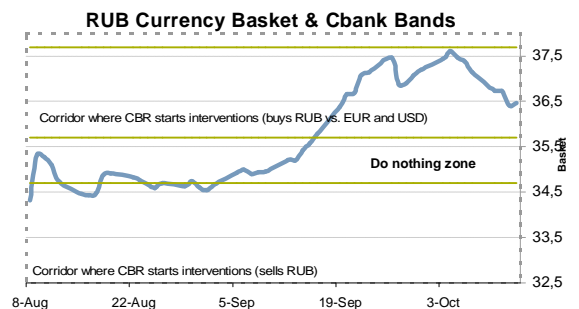
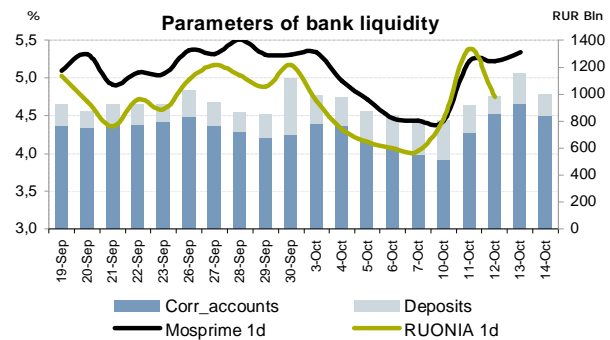
Currency Market

The RUB basket remained nearly unchanged yesterday, finishing at 36.45, which was 3 kopeck higher than the previous close. This was consistent with the pause in the rally in the global markets for the past week and some decline in oil prices. The US and Asian equity markets were heavy as sentiment was spoiled by Spain's downgrade. Luckily for RUB, Brent oil prices, having retreated to USD 109/bbl. yesterday, picked up again over the night to over USD 111/bbl. G20 meeting starting today in Paris is the markets focus. Unlikely we will get some flesh on the bones of the comprehensive solution to the European debt problems but from policymakers' comments it sounds they understand the need for urgency, thus a positive surprise over the weekend is likely – that would help increase the risk appetite and benefit RUB among other EM. The RUB basket opens much stronger, trading at 36.25 in the first minutes of the session. Tight RUB supply locally helps – it may make more sense for some FX cash rich companies to convert USD into RUB rather than borrow RUB expensively.

Debt and Equity Markets

MICEX Index was flat yesterday (-0.55%). Oil trades near \$111 per barrel, supporting Russian energy shares. Trading volume remains high. Some of market participants hurry to take part in end of the year rally and start to enter the market on the current levels. From the technical point of view 1200-1300 band for the Micex index is the most attractive levels for the entering Russian market.

Forwards	1m.	3m.	6m.	
USD/RUB	31,322	31,653	32,12	
EUR/RUB	43,104	43,544	44,177	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,01	0,02	6,33	3,23
MIBOR 1m (%)	5,89	-0,03	6,09	3,81
RUONIA 1d (%)	5,39	0,93		
Implied NDF yield 6m%	6,67	0,19	8,48	3,3
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	245	5	306,75	119
Eurobond Russia 30Y	4,791	0,018	5,48	3,914
EMBI +	584,93	-0,56	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1396,27	-0,82	2123,56	1217,21
Micex	1388,77	-0,55	1859,99	1265,67
S&P 500	1203,66	-0,30	1363,61	1099,23
DJIA	11478,13	-0,35	12810,54	10655,30
Brent	111,23	-0,03	129,43	67,20



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