

Nordea

Russian Markets - Daily

October 17, 2011

RUB showed robust growth	USD/RUB	30.72	▼
MM could be on fire	EUR/RUB	42.62	▼
Overnight rates are high	RUB basket	36.08	▼

Hot News

- Budget deficit this year will be at 0%, said the acting Minister of Finance A. Siluanov. He noted that in Q4 the savings will be used and the budget will be in deficit (in contrast to the over 2% in surplus so far this year). He reminded that in December expenses usually are two times as high as in any other month and he expects RUB 1.8 trillion to be spent in December alone. Siluanov also noted that the budget will be balanced at USD 117/bbl in 2012. /Interfax
- Russian President Dmitry Medvedev called for a radical change of the Russian state government and proposed the establishment of the head of state so-called "big government" before the upcoming presidential elections. According to Dmitry Medvedev, the government "will act in concert with a party that can figure it out -" United Russia ". Medvedev stressed that they will work even with those who disagree. /Interfax
- Dmitry Medvedev said that if the "United Russia" wins in the parliamentary elections and Putin - the presidential elections, it will guarantee further development of Russia. /Interfax
- Russia calls for consolidation of efforts in support of major European countries, said Deputy Finance Minister S. Storchak. /Interfax

Money Market

Liquidity decreased and today banks have 944 billion rubles (-58 bn.) on deposit and in correspondent accounts with the Central Bank. On Friday profit taxes were paid, which pumped out approximately 30 bn. from the system. More serious payments will be on October 20 (VAT ~150 bn.). Thus demand for the RUB will remain high. Central Bank increased REPO limit to RUB400 bn. last week. Moreover CBR can increase the limit up to 1 trillion rubles in order to mitigate liquidity problems during tax paying period. We expect overnight rates will stay higher 5%. In the end of the year budget spendings will accelerate which will support liquidity and stabilize Money Market.

Currency Market

The RUB strengthened a further 18 kopeck against the EUR and USD basket, closing at 36.27 on Friday. Looking two months back therefore it appears that the pace of RUB appreciation is no slower than that of depreciation seen earlier in September. The overall positive market sentiment remains the driver, as the market participants believe the solution is coming – the G20 message this weekend was that of the comprehensive solution coming on October 23rd. The markets remain cheerful today, with the Asian stocks gaining and the US futures in the green zone. Oil prices gained 3% on Friday and Brent remains comfortably high at USD 112.5/bbl. Russia remains a solid sovereign and their offer to support the Europeans reveals they are in no lack of money to support their own economy and markets. RUB opens much stronger today, aiming for 36.00 in the first minutes of the session.

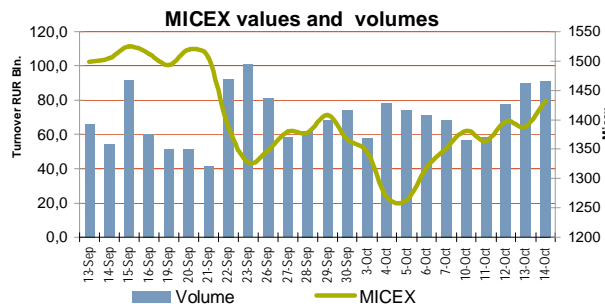
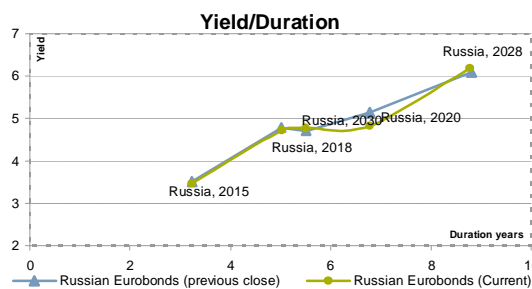
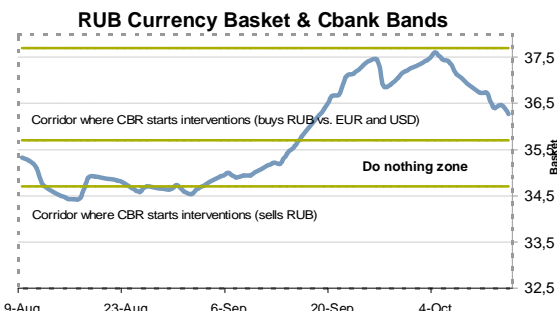
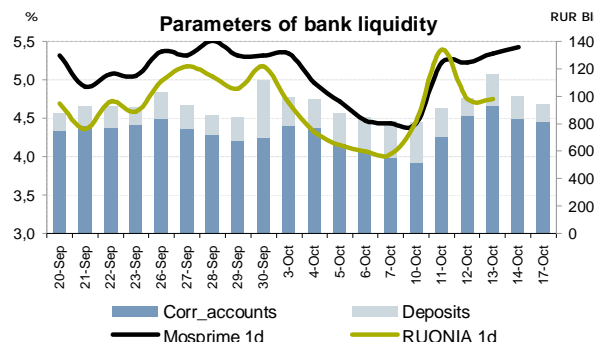
Debt and Equity Markets

MICEX Index increased on Friday (+3%). Oil rocketed to \$114.5 intraday high, supporting Russian stock market. Risk appetite is coming back on the global markets and finally spurs Russian market growth. Some market participants try to use opportunity and already think about Christmas rally. However this pure speculative factor influences the market sentiment. More fundamental checkpoint is the G20 meeting coming on October 23rd.

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Forwards	1m.	3m.	6m.	
USD/RUB	31,052	31,382	31,857	
EUR/RUB	43,011	43,453	44,09	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,09	0,08	6,33	3,23
MIBOR 1m (%)	5,89	0	6,09	3,81
RUONIA 1d (%)	4,75	-0,64		
Implied NDF yield 6m%	6,85	0,18	8,48	3,3
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	241	-4	306,75	119
Eurobond Russia 30Y	4,615	-0,176	5,48	3,914
EMBI +	587,7	2,77	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1449,28	3,80	2123,56	1217,21
Micex	1431,92	3,11	1859,99	1265,67
S&P 500	1224,58	1,74	1363,61	1099,23
DJIA	11644,49	1,45	12810,54	10655,30
Brent	112,26	0,93	129,43	67,20



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