

Nordea

Russian Markets - Daily

October 18, 2011

RUB touched local high	USD/RUB	31.02	▲
MM rely on CBR support	EUR/RUB	42.58	▼
Overnight rates will stay high	RUB basket	36.22	

Hot News

- Siemens will invest EUR 1bn in the development of Russian business over three years, announced yesterday company representative Peter Löscher. Over the past 11 years Siemens had invested about EUR 400m. /Vedomosti
- FDI inflows to Russia reached USD 31bn in January-September this year, according to Economy Minister Nabiulina. She said that the bulk of foreign investments was to extraction, financial and real estate sectors. /Interfax
- The oil reserve fund will amount to RUB 1.7tn in January 2012, said deputy Finance Minister Nesterenko. The government thus plans to accumulate 80% of excess oil revenue (estimated at RUB 900bn in 2011), implying the expected transfer to the reserve fund this year will be around RUB 720bn. /Interfax
- Industrial production growth slowed to 3.9% y/y in September down from 6.2% y/y in August. /Rosstat

Money Market

Liquidity increased and today banks have 995 billion rubles (+51 bn.) on deposit and in correspondent accounts with the Central Bank. Huge tax payments will be on October 20 (VAT ~150 bn.), thus demand for the RUB will remain high. Central Bank increased REPO limit to RUB450 bn. today which indicates nervousness. Moreover we do not expect that CBR can increase the limit up to 1 trillion rubles in the end of the month. We expect overnight rates will stay higher 5%.

In the end of the year budget spending will likely accelerate which will support liquidity and stabilize Money Market but as for today the problems will persist.

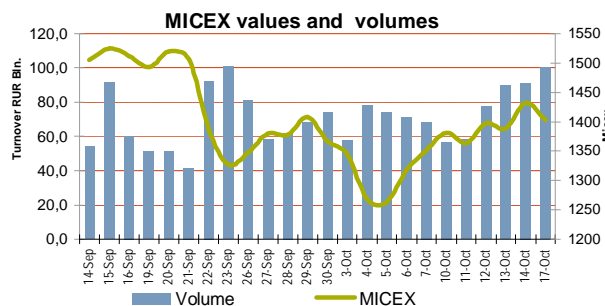
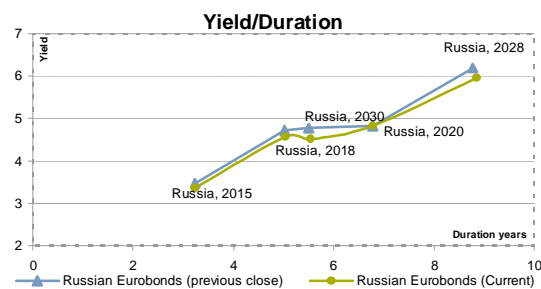
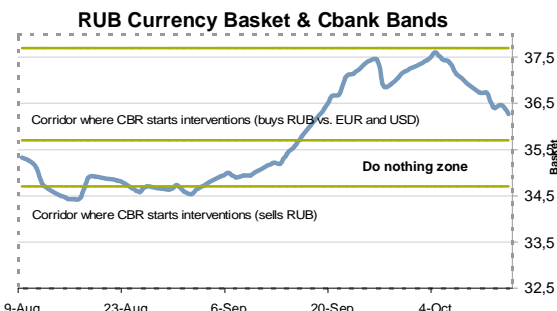
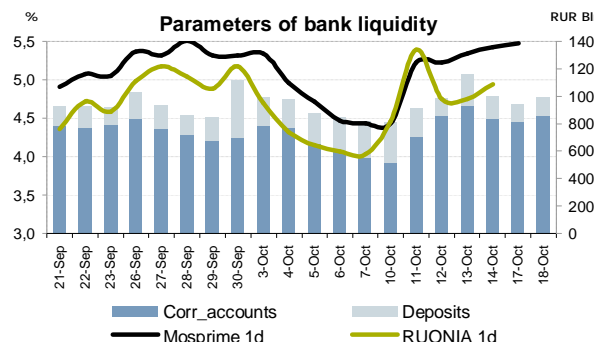
Currency Market

The RUB strengthened against the basket a further 11 kopeck, closing at 36.15 yesterday. During the session it attempted to penetrate the 36.00 level which it probably would have if the market sentiment hadn't changed for the worse after negative German politicians's comments which turned the risk „off“ again in the global markets, causing drops in equity markets across the board and negatively affecting the Emerging Market commodity currencies – BRL, MXN. The negative surprise on China's growth numbers tonight worsens the sentiment somewhat. That said, the Brent oil prices still lie comfortably above USD110/bbl here in the morning. The Russian CDS keep trending down from early October, showing the panic receding. Domestic liquidity in the Russian interbank market remains tight and will likely remains o as the domestic companies will seek RUB to cover the end of month tax payments, which should support RUB. The RUB basket opened 10 higher but came back to the yesterday's close levels right away, which is strong given the current risks sentiment in the global markets.

Debt and Equity Markets

MICEX Index decreased on 2% yesterday. Oil retreated to USD110/bbl from recent high, which turn round Russian stock market. New risk „off“ mode put a pressure in the market. However situation will be more clear after G20 meeting on October 23rd.

Forwards	1m.	3m.	6m.	
USD/RUB	31,076	31,401	31,869	
EUR/RUB	42,702	42,985	43,485	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,19	0,1	6,33	3,23
MIBOR 1m (%)	5,93	0,04	6,09	3,84
RUONIA 1d (%)	4,75	0		
Implied NDF yield 6m%	6,805	-0,045	8,48	3,3
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	235	-6	306,75	119
Eurobond Russia 30Y	4,576	-0,039	5,48	3,914
EMBI +	588,43	0,73	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1427,31	-1,52	2123,56	1217,21
Micex	1403,05	-2,02	1859,99	1265,67
S&P 500	1200,86	-1,94	1363,61	1099,23
DJIA	11397,00	-2,13	12810,54	10655,30
Brent	110,20	-1,84	129,43	67,20



Dmitry Savchenko +7 495 7773477
Aurelija Augulyte +45 3333 6437

Dmitry.Savchenko@nordea.ru
Aurelija.Augulyte@nordea.com

Nordea Markets is the name of the Markets departments of Nordea Bank Norge ASA, Nordea Bank AB (publ), Nordea Bank Finland Plc and Nordea Bank Danmark A/S. The information provided herein is intended for background information only and for the sole use of the intended recipient. The views and other information provided herein are the current views of Nordea Markets as of the date of this document and are subject to change without notice. This notice is not an exhaustive description of the described product or the risks related to it, and it should not be relied on as such, nor is it a substitute for the judgement of the recipient. The information provided herein is not intended to constitute and does not constitute investment advice nor is the information intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has no regard to the specific investment objectives, the financial situation or particular needs of any particular recipient. Relevant and specific professional advice should always be obtained before making any investment or credit decision. It is important to note that past performance is not indicative of future results. Nordea Markets is not and does not purport to be an adviser as to legal, taxation, accounting or regulatory matters in any jurisdiction. This document may not be reproduced, distributed or published for any purpose without the prior written consent from Nordea Markets.