

Nordea

Russian Markets - Daily

October 19, 2011

RUB basket bounced	USD/RUB	30.96	▼
CBR supports Money Market	EUR/RUB	42.70	▲
Market is getting use to high rates	RUB basket	36.25	▲

Hot News

- Inflation in Russia may be about 6.5% in 2011, said Deputy Economic Development Minister Oleg Fomichev. Further decline in inflation will occur in the following years, he added. /Interfax
- One of the world's largest automakers - Toyota Motor Corp. - Intends to increase sales of cars under the Toyota and Lexus brands on the Russian market by 45% in 2011. /Interfax
- Russian Prime Minister Vladimir Putin said that the conservation of the tandem was discussed with Dmitry Medvedev already four years ago. /Interfax
- Russia does not set specific dates to resolve the issue of joining the customs union with Ukraine. In addition, it is not possible to join the union in a particular format, said Russian President Dmitry Medvedev. /Interfax

Money Market

Liquidity increased thanks to CBR and today banks have 1050 billion rubles (+54 bn.) on deposit and in correspondent accounts with the Central Bank. Next relative big 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. yesterday and market seize occasion and took almost 400 bn. As we expected CBR is increasing REPO limit during tough days. Till the end of the month the limit can reach up to 1 trillion rubles. Overnight rates will probably stay higher 5%. Longer rates are also jacked up.

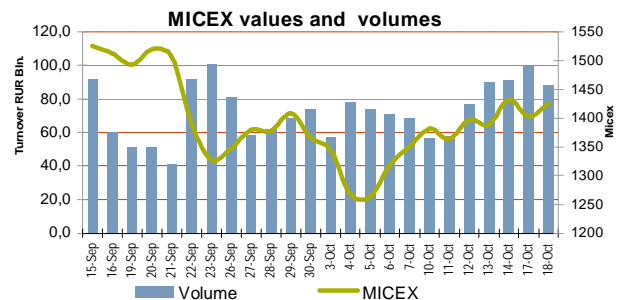
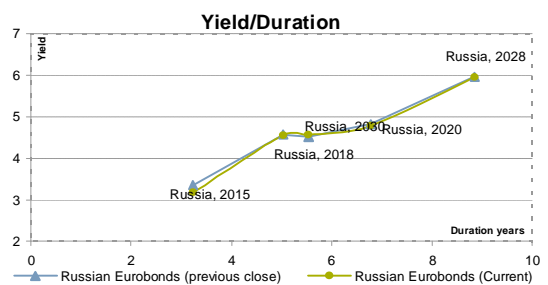
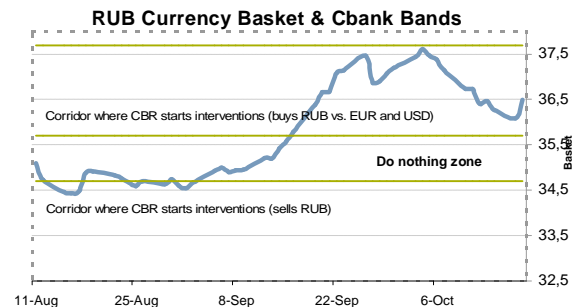
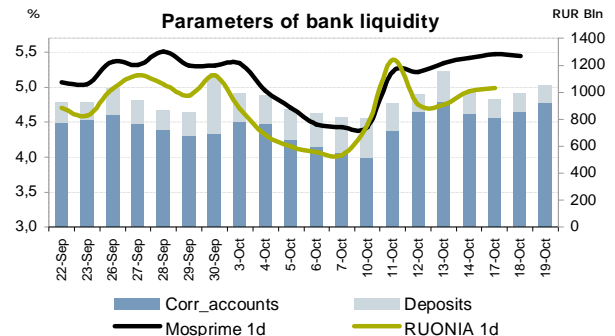
Currency Market

The RUB weakened against the basket 25 kopeck yesterday, closing at 36,41. RUB was flushed with the negative market sentiment following the German politicians' comments that the upcoming meeting (October 23) is no silver bullet to the European debt problems. But yesterday night the rumour that France and Germany agreed on widening the bailout fund to EUR 2 trillion lifted the market spirit again. Coupled with the positive US earnings reports the markets turned „risk on“ again benefitting the commodity currencies – including MXN and BRL. The front month Brent oil also rose by over USD 2/bbl to over USD 111/bbl here in the morning following the sharper than expected drops in inventories in the US. The markets even ignore Moody's downgrading Spain. The Russian markets higher and RUB recoups yesterday's losses trading at 36,20 in the first minutes of the session. The local tax payment period is on, and Russian corporates will likely chase RUB these days.

Debt and Equity Markets

MICEX Index increased on 1.5% yesterday, overtook European markets. Situation is unstable due to nervousness in anticipation of G20 summit. There are a lot of speculations and rumors that are ruling the market. Micex index has resistance at 1450 and this level can be broke down only if G20 will support the markets.

Forwards	1m.	3m.	6m.	
USD/RUB	31,253	31,579	32,073	
EUR/RUB	43,115	43,565	44,238	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,22	0,03	6,33	3,23
MIBOR 1m (%)	6,03	0,1	6,09	3,84
RUONIA 1d (%)	4,94	0,19		
Implied NDF yield 6m%	6,92	0,115	8,48	3,33
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	232	-3	306,75	119
Eurobond Russia 30Y	4,575	-0,001	5,48	3,914
EMBI +	588,01	-0,42	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1427,26	0,00	2123,56	1217,21
Micex	1425,24	1,58	1859,99	1265,67
S&P 500	1225,38	2,04	1363,61	1099,23
DJIA	11577,05	1,58	12810,54	10655,30
Brent	111,14	0,85	129,43	67,20



Dmitry Savchenko +7 495 7773477 Dmitry.Savchenko@nordea.ru
 Aurelija Augulyte +45 3333 6437 Aurelija.Augulyte@nordea.com

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