

# Nordea

## Russian Markets - Daily

October 20, 2011

<b>RUB basket trades higher</b>	USD/RUB	31.35	▲
<b>Liquidity squeeze</b>	EUR/RUB	43.00	▲
<b>Rates increased</b>	RUB basket	36.6	▲

### Hot News

- Fixed capital investments grew 8.5% in September, up from 6.5% in August. Retail sales grew 9.2% y/y, up from 7.8% y/y in August. Real wages grew 6.2% y/y in September, up from 3.9% y/y in August and unemployment rate fell from 6.1% to 6%. /Rosstat
- Russian President Medvedev said that Russia joining the WTO is in the interests of the Russian economy and the trade partners'. Yet he noted that if the partners "say that we do not fit in for some reasons, we will survive". /Interfax
- SABMiller plc and Turkish Anadolu Efes have agreed a strategic alliance in emerging markets where they unite the beer business in Ukraine and Russia. SABMiller and Anadolu Efes combined will take second place in the Russian beer market. /Interfax
- The State Duma approved the second reading of amendments aimed at liberalizing the law on foreign investments. /Interfax
- Inflation rose 0.1% in the week from 11 to 17 October. This is a first increase after 15 weeks with either no inflation or deflation. /Rosstat

### Money Market

Liquidity decreased and today banks have 933 billion rubles (-117 bn.) on deposit and in correspondent accounts with the Central Bank. Relative big tax payments will be today (VAT ~150 bn.), thus demand for the RUB will remain high. Central Bank provides market with extra liquidity by conducting REPO auctions. 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. This can help to mitigate the problems, but still overnight rates will probably stay higher 5%.

### Currency Market

The RUB strengthened 9 kopeck against the basket yesterday, finishing at 36.32. The global risk sentiment has worsened over the night, with the tension growing ahead of the weekend meeting especially now that media reports Germany and France cannot agree on the changes. Thus the expectation increases that the weekend will end without a solution, which will be a big disappointment to markets given the recent rally was a result of high expectations. The USD index is broadly up, equities again in the red and the Brent oil price dropped to just around USD 108/bbl from over USD 111/bbl yesterday. Thus, no wonder, RUB opens weaker, trading at just around 36.55 in the first minutes of the session. On a positive note, yesterday's economic data released by Rosstat surprised positively by a wide margin – retail sales growth very strong and fixed capital investments accelerating. As long as domestic growth is up and running demand for RUB is guaranteed. The short term risks are primarily global – the Greek drama changes the sentiment and moves the EM currencies in a correlated manner.

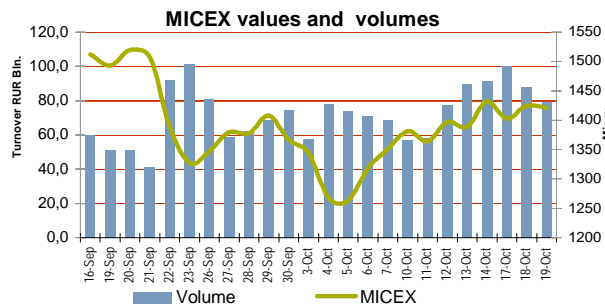
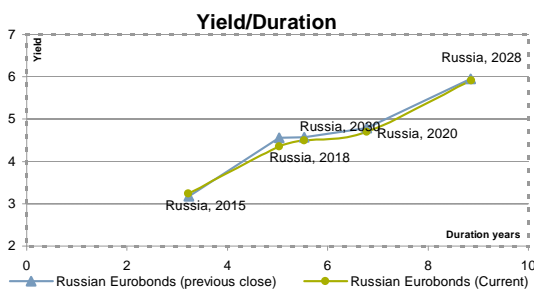
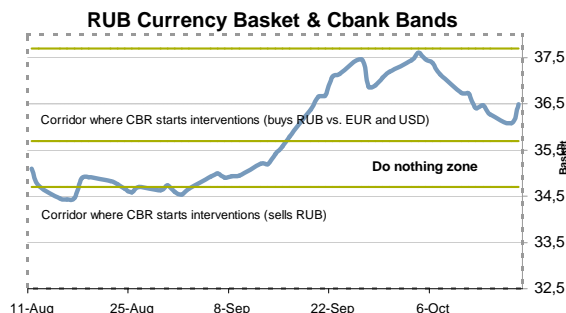
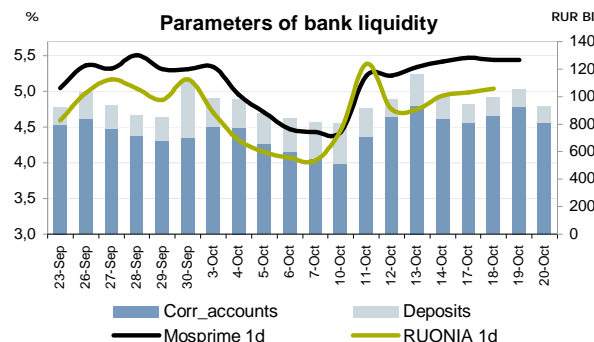
### Debt and Equity Markets

MICEX Index decreased on 0.33% yesterday, swinging in anticipation of G20 summit. Commodity market is also volatile. There are a lot of speculations and rumors that are driving the market during these days. Micex index has resistance at 1450.

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Forwards	1m.	3m.	6m.	
USD/RUB	31,272	31,621	32,105	
EUR/RUB	42,845	43,31	43,965	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,23	0,01	6,33	3,23
MIBOR 1m (%)	6,07	0,04	6,09	3,86
RUONIA 1d (%)	4,99	0,05		
Implied NDF yield 6m%	6,88	-0,04	8,48	3,33
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	228	-4	306,75	119
Eurobond Russia 30Y	4,494	-0,081	5,48	3,914
EMBI +	588,25	0,24	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1438,63	0,80	2123,56	1217,21
Micex	1420,50	-0,33	1859,99	1265,67
S&P 500	1209,88	-1,26	1363,61	1099,23
DJIA	11504,62	-0,63	12810,54	10655,30
Brent	108,00	-2,83	129,43	67,20



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