

Nordea

Russian Markets - Daily

October 21, 2011

RUB basket higher	USD/RUB	31.37	▼
Liquidity lower on taxes	EUR/RUB	43.13	▼
Fund inflows continued	RUB basket	36.68	▼

Hot News

- CBR's Deputy Chairman Ulyukayev said that there is no need for the CBR to change the policy rates – neither up nor down. The next policy meeting is scheduled for October 28. /Reuters
- According to Ulyukayev, the RUB floating band stands now at 32.70 – 37.70. Since the beginning of October the CBR sold USD 4bn to defend RUB. No changes to the FX policy are planned in the foreseeable future, he added. /Reuters
- Russia and Georgia failed to come up on the agreement which would allow Russia to join the WTO. Further talks will be held next week. /Reuters

Money Market

Liquidity decreased due to tax payments and today banks have 809 billion rubles (-124 bn.) on deposit and in correspondent accounts with the Central Bank. Demand for the RUB is supported by tax payments. However CBR continues to provide extra liquidity for the market and yesterday market participants took 263 bn. rubles from 450 available on the REPO auction. Till the end of the month the REPO limit can reach up to 1 trillion rubles. But still overnight rates will probably stay higher than 5% and 3-month Mibor rates will remain elevated.

Currency Market

The RUB weakened 24 kopeck against the EUR and USD basket yesterday, finishing at 36.56. The weakening was a consequence of increasing nervousness in the global markets on rumors that France and Germany cannot agree on the comprehensive package. RUB weakened just over 1% against the USD yesterday, but so did other high beta EM currencies like PLN, MXN, INR, HUF, ZAR. Intraday volatility in the FX market remains very high and will likely remain so now that the European leaders announced the very final decision on the comprehensive package to European problems will see the daylight only on 26th of October. But the discussion meeting will be held on Sunday as planned and accompanying comments will likely move the markets as in the previous day. The RUB floating band stands now at 32.70 – 37.70, revealed CBR yesterday, thus we estimate the CBR sells around USD 200-300m per day at current levels, which is way below the up to 1-2bn amounts in the days of high pressure for RUB. Tonight the Asian equity markets remained broadly flat. Positively for RUB the Brent oil prices picked up to nearly USD 110/bbl here in the morning, up from yesterday's lows of USD 107.5/bbl. The RUB basket opens around yesterday's close.

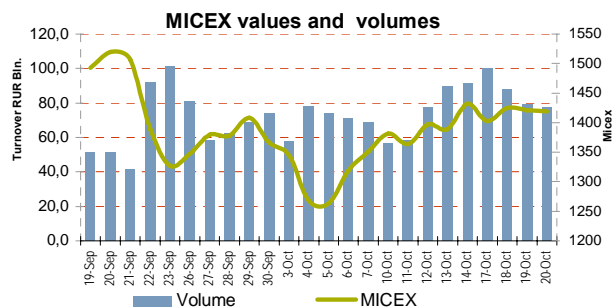
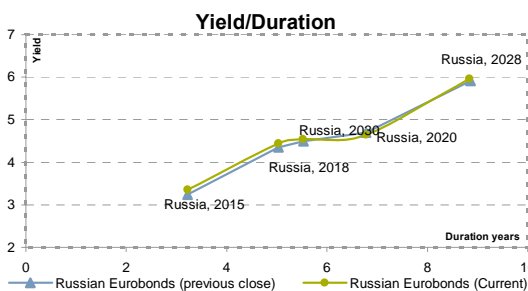
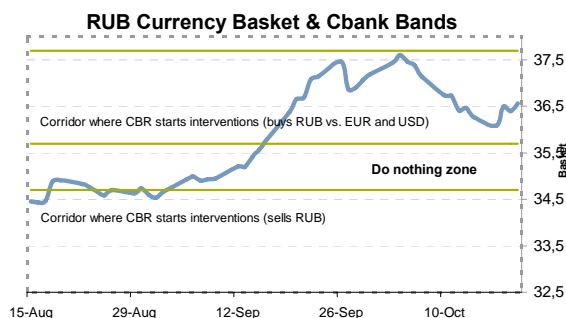
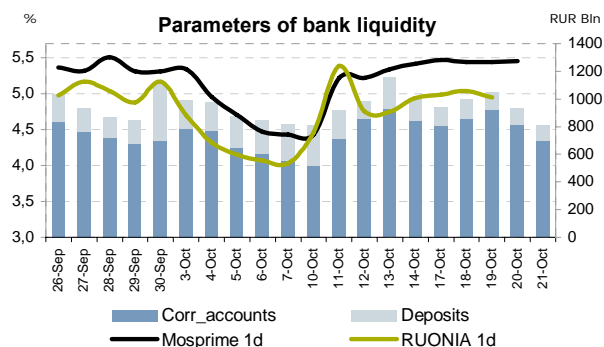
Debt and Equity Markets

Russian equity markets finished in the red yesterday on the back of worsening risk sentiment and falling equities in the global markets and finished almost flat. The MICEX lost 0.12% relative to the previous trading session. Among the losers were VTB (-1,3%), Gazprom (-0.4%), Lukoil (-0.4%). Tonight the Asian markets traded range-bound, the Russian markets opened slightly positive and MICEX will likely keep consolidating within 1390 – 1440. The Russian Eurobond market also remained more on the negative side on Thursday, with the benchmark Russia-30 widening 8 bp relative to the same maturity US treasuries. Today the markets start and will likely remain range-bound as uncertainty remains high over the situation in the euro area.

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Forwards	1m.	3m.	6m.	
USD/RUB	31,594	31,929	32,425	
EUR/RUB	43,528	43,976	44,651	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,34	0,11	6,34	3,23
MIBOR 1m (%)	6,11	0,04	6,11	3,86
RUONIA 1d (%)	5,04	0,05		
Implied NDF yield 6m%	6,92	0,04	8,48	3,33
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	238	10	306,75	119
Eurobond Russia 30Y	4,668	0,174	5,48	3,914
EMBI +	585,34	-2,91	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1423,03	-1,08	2123,56	1217,21
Micex	1418,85	-0,12	1859,99	1265,67
S&P 500	1215,39	0,46	1363,61	1099,23
DJIA	11541,78	0,32	12810,54	10655,30
Brent	109,51	1,40	129,43	67,20



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