

Nordea

Russian Markets - Daily

October 24, 2011

RUB are higher	USD/RUB	30.83	▼
MM faces new tax payments	EUR/RUB	42.86	▼
Overnight rates stay high	RUB basket	36.24	▼

Hot News

- Russia and the European Union solved the final issues and removed all the bilateral barrier's to Russia's accession to WTO this year. The final hurdle remains Georgia which Russia is now in negotiations with. /Reuters
- 20 Russian banks out of the top 200 facing a shortage of capital, of which 2-3 are in the thirty largest, stated by deputy chairman of the Bank of Russia Alexei Simanovsky. In addition, the Central Bank stress tests showed that the number of credit institutions may have liquidity problems. According Simanovsky, especially it is the case of those banks that worked on the construction market. "They got into the building, foundation, projects, and still cannot get out," - he said. /Lenta
- Russian businessman Igor Kim, who owns shares in banks "Orient Express" and MDM, will be the buyer of the Russian subsidiary of the British group Barclays, according to "Kommersant". The transaction is to take place on Friday, October 21. /Lenta

Money Market

Liquidity increased and today banks have 848 billion rubles (+39 bn.) on deposit and in correspondent accounts with the Central Bank. Tomorrow we are waiting for relative big tax payments which will total ~150 bn.. Correspondingly demand for the RUB will remain high and overnight interest rate will probably stay above 5%. Central Bank REPO limit was kept unchanged at RUB450 bn. CBR has enough leverage to help Monet Market to avoid severe liquidity squeeze.

Currency Market

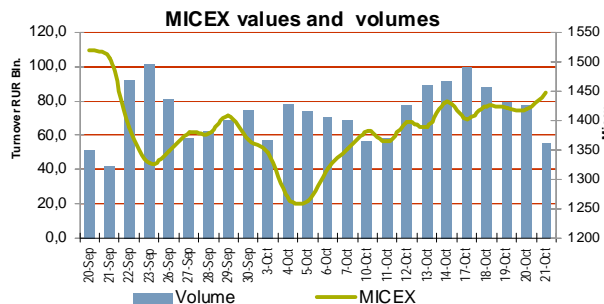
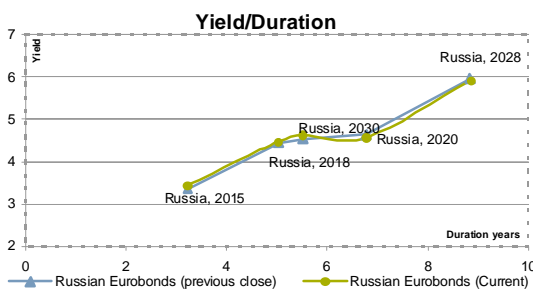
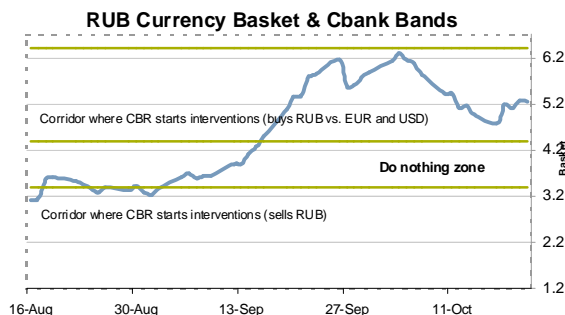
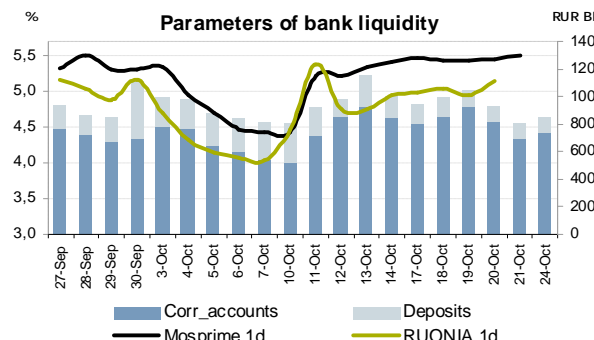
The RUB was under pressure in the first part of Friday, but managed to gain toward the end of the day, finishing the day 7 kopeck stronger at 36.49. This was related to the overall improvement on global risk sentiment, to which RUB reacted by strengthening 1.45% toward USD during the day, similarly to other high beta Emerging Market currencies like PLN, TRY, ZAR, HUF. The oil prices also benefit from lower risk aversion in the markets – the front month Brent was trading at around USD 110/bbl here in the morning, getting some more support on the positive surprise from China's PMIs tonight. The European leaders' meeting on Sunday finished without an official solution, but the media reports progress on the bank recapitalization, leveraging of EFSF and Greek debt write-downs of 40-60%. Uncertainty over the euro area will likely persist until Wednesday-Thursday when the final solution should surface. But the markets are already rejoicing with the Asian stocks ex. Japan growing over 3%. The tax payments are still on in Russia which, with the scarce RUB liquidity, will keep corporates chasing RUB. The positive news on Russia agreeing on the WTO entry with the EU on Friday also improves the overall sentiment around RUB. No surprise - the RUB basket gaps down here in the morning, trading around 36.35 in the first minutes of the session.

Debt and Equity Markets

MICEX Index increased by 2% yesterday. Oil stays near USD110/bbl. The G20 meeting on Sunday finished without an official solution, but the markets grow on the bank recapitalization news, leveraging of EFSF and Greek debt write-downs of 40-60%. The major focuses of this week are G20 official decision on Wednesday and US GDP stats on Thursday.

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Forwards	1m.	3m.	6m.	
USD/RUB	31,237	31,555	32,024	
EUR/RUB	43,3425	43,8052	44,459	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,38	0,04	6,38	3,23
MIBOR 1m (%)	6,16	0,05	6,16	3,86
RUONIA 1d (%)	4,95	-0,09		
Implied NDF yield 6m%	6,64	-0,28	8,48	3,34
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	235	-3	306,75	119
Eurobond Russia 30Y	4,569	-0,099	5,48	3,914
EMBI +	586,91	1,57	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1456,73	2,37	2123,56	1217,21
Micex	1447,01	1,98	1859,99	1265,67
S&P 500	1238,25	1,88	1363,61	1099,23
DJIA	11808,79	2,31	12810,54	10655,30
Brent	110,34	0,76	129,43	67,20



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