

# Nordea

## Russian Markets - Daily

October 25, 2011

<b>RUB are higher</b>	<b>USD/RUB</b>	<b>30.51</b>	▼
<b>MM faces new tax payments</b>	<b>EUR/RUB</b>	<b>42.38</b>	▼
<b>Overnight rates stay high</b>	<b>RUB basket</b>	<b>35.86</b>	▼

### Hot News

- Ratings agency Moody's has published a report on the Russian bank system where lowered the outlook for the sector from "stable" to "negative." "The change in outlook reflects concerns that the global macroeconomic problems and volatility in financial markets will lead to a deterioration of the Russian operating environment, which may adversely affect the position of Russian banks, triggering a systemic shortage of liquidity, slowing credit growth and asset quality deterioration," - the report said. /Interfax
- Prime Minister Putin at a meeting of the Commission for Control over Foreign Investments said that Russia's government must create the best conditions for foreign investments. He said that many leaders of the world's largest companies with whom they "met recently" reaffirmed investment plans in Russia. According to him, it is necessary to improve the business climate, remove all sorts of restrictions, barriers, including for work in the so-called strategic industries. "Therefore, we proposed a package of amendments that facilitate access of foreign capital in the food and medical industry, the banking sector, in the "sensitive" area of mineral resource extraction" (which was passed in the second reading in the Duma on October 19). /Interfax

### Money Market

Liquidity increased and today banks have 867 billion rubles (+18 bn.) on deposit and in correspondent accounts with the Central Bank. Today exporters will pay relative big tax payments which total around RUB150 bn.. This bulk will be pumped out of the system. Thus we expect high demand for the RUB and finally overnight interest rate will probably stay above 5% till the end of the month.

### Currency Market

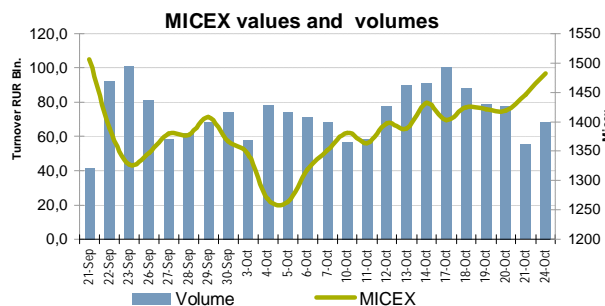
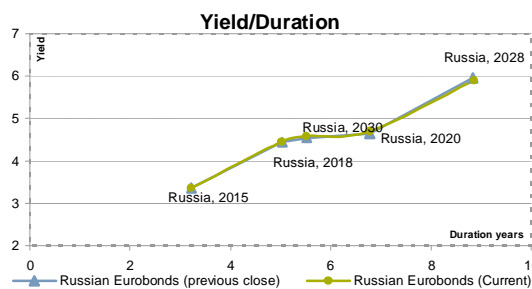
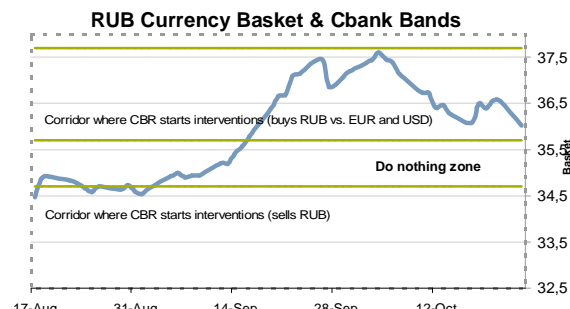
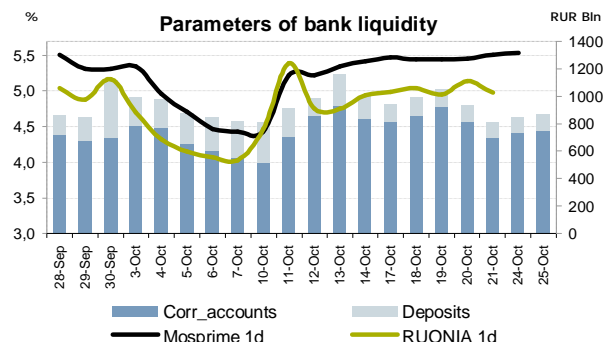
The RUB appreciated substantially yesterday, with the basket dropping 52 kopeck and closing just below the important 36.00 - at 35.97. RUB gained nearly 2% against the USD, thus outperforming many of the Emerging Market currencies in line with ZAR and MXN. The RUB dynamics were in line with the overall positive market sentiment - from the Asian to the Russian markets equities gained 2-4%. Today the equity markets are range bound, yet considering the recent days' rally it's strong performance. The front month Brent jumped to nearly USD 112/bbl, thus remaining at RUB-comfortable levels here in the morning. The markets are positive not only over the expectations that the euro area leaders deliver a solution to the crisis tomorrow, but also due to some positive US figures - the recent streak of macro data since the latest payrolls report has contributed to positive surprises, helped also by some positive firm quarterly reports (like yesterday's Caterpillar). The markets may remain volatile ahead of the euro area summit tomorrow, yet the overall optimism prevails for now. The RUB basket opens stronger, trading at around 35.80 in the first minutes of the session. RUB, as one of the recently most hit high beta currencies, has biggest performance potential on the positive risk sentiment, and there is still a long way to go to the July lows of 32.85 on the basket.

### Debt and Equity Markets

MICEX Index increased by 2% yesterday. Oil stays higher USD110/bbl., stimulating energy shares for growth. The major focuses of this week are euro area summit tomorrow and US GDP stats on Thursday. So far sentiment is positive but due to technical reasons Micex index can stuck within 1460-1480 band today.

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Forwards	1m.	3m.	6m.	
USD/RUB	30,723	31,068	31,475	
EUR/RUB	42,75	43,18	43,79	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,36	-0,02	6,38	3,23
MIBOR 1m (%)	6,14	-0,02	6,16	3,86
RUONIA 1d (%)	5,14	0,19		
Implied NDF yield 6m%	6,555	-0,085	8,48	3,34
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	230	-5	306,75	119
Eurobond Russia 30Y	4,513	-0,056	5,48	3,914
EMBI +	588,02	1,11	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1508,82	3,58	2123,56	1217,21
Micex	1482,81	2,47	1859,99	1265,67
S&P 500	1254,19	1,29	1363,61	1099,23
DJIA	11913,62	0,89	12810,54	10655,30
Brent	111,29	0,86	129,43	67,20



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