

Nordea

Russian Markets - Daily

October 26, 2011

RUB was flat	USD/RUB	30.55	▲
CBR Repo help Money market	EUR/RUB	42.58	▲
Overnight rates are high	RUB basket	35.96	▲

Hot News

- The situation in the Russian banking system is stable, in addition, lenders and market regulators is much better prepared for possible disruptions in comparison with 2008, said President of the Association of Regional Banks of Russia A. Aksakov in connection with the decision by Moody's to lower the forecast of the Russian banking system. According to A. Aksakov agency's decision can be viewed as somewhat delayed reaction to the rather severe situation for the Russian banks in September. "Now some tension in the market is there, but the situation is completely controlled and regulated." – he said. According to Aksakov banks today are focused on maintaining liquidity, and as evidenced by the increase in repo rates and the growth of interbank loans, but more importantly, the crisis of confidence is not observed, banks are still actively lending to each other, stressed A. Aksakov. /Interfax
- Russian economy grew 5.7% y/y in September, up from 5.2% y/y in August. Thus, the GDP has already grown 4.2% during January – September this year. /Interfax
- Modernization will be one of the most important activities of the new government to be formed after the election, no doubt the president's aide Arkady Dvorkovich. /Interfax

Money Market

Liquidity increased slightly and today banks have 898 billion rubles (+31 bn.) on deposit and in correspondent accounts with the Central Bank. However this is not healthy liquidity growth. Yesterday CBR increased REPO limit to 1.2 trillion rubles and market borrowed ~700 bn. This is huge amount taking into account Ministry of Finance 350 bn DEPO auctions since the beginning of October. Thus more than 1 trillion rubles is pumped into the system. We expect current liquidity squeeze will continue till the end of the month. Overnight interest rates will stay at high levels.

Currency Market

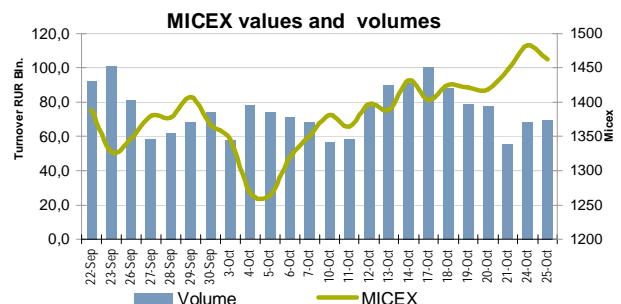
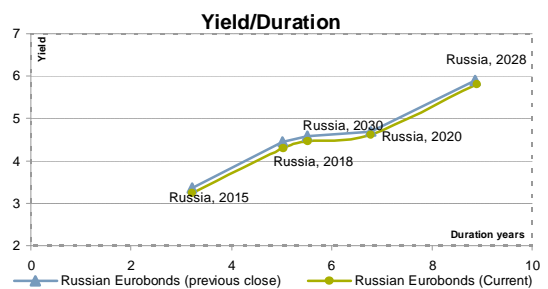
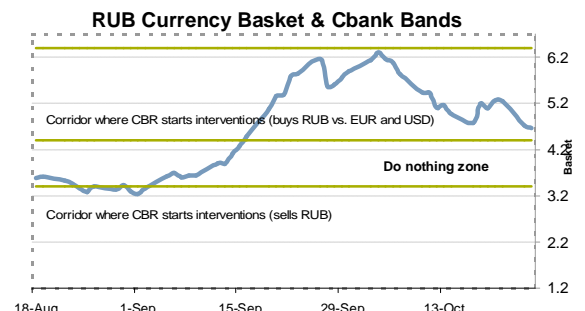
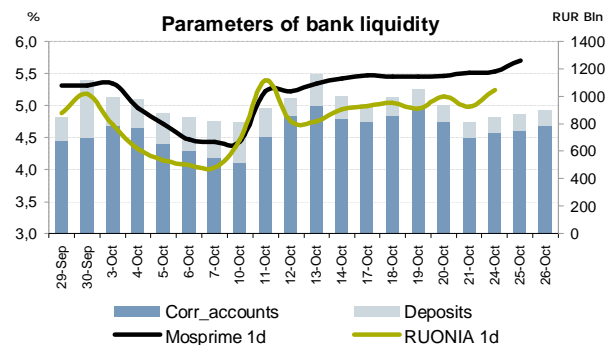
The RUB strengthened further against the EUR and USD basket on Tuesday, finishing the day 11 kopeck lower to the previous day's close at 35.86. RUB kept relatively strong relative to other Emerging Market currencies – the high beta ones like PLN and HUF even lost up to 1% against the USD for the day. Tight domestic liquidity helps RUB as domestic companies need RUB to cover the end of month taxes. The Brent oil prices remain at around USD 111.5/bbl here in the morning, thus comfortable for RUB. The Russian credit premium (CDS) continues to drift lower, reflecting the market participants' perception of lower risks associated with Russia. In addition, the cross currency basis swaps continue decreasing in line with the RUB dynamics. As long as there is no panic in the global markets we expect RUB to continue good performance vs the EUR and USD basket. Tonight the Asian markets were range bound and the risk appetite is subdued ahead of the European leaders' meeting today. Since the outcome will likely only surface late in the evening the markets may remain shaky reacting to the ongoing comments. The RUB basket opens a few kopeck higher around 35.90, thus remaining below the relevant 36.00 level.

Debt and Equity Markets

MICEX Index decreased by 1.4% yesterday. Oil was flat but trades higher USD110/bbl. The major focuses of this week are euro area summit today and US GDP stats on Thursday. Micex index stuck within 1460-1480 band. Investors are waiting for the news.

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

Forwards	1m.	3m.	6m.	
USD/RUB	30,687	30,995	31,446	
EUR/RUB	42,7	43,117	43,732	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,35	-0,01	6,38	3,23
MIBOR 1m (%)	6,22	0,08	6,22	3,86
RUONIA 1d (%)	4,98	-0,16		
Implied NDF yield 6m%	6,58	0,025	8,48	3,34
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	230	0	306,75	119
Eurobond Russia 30Y	4,511	-0,002	5,48	3,914
EMBI +	590,42	2,4	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1500,05	-0,58	2123,56	1217,21
Micex	1462,17	-1,39	1859,99	1265,67
S&P 500	1229,05	-2,00	1363,61	1099,23
DJIA	11706,62	-1,74	12810,54	10655,30
Brent	111,34	0,04	129,43	67,20



Nordea Markets is the name of the Markets departments of Nordea Bank Norge ASA, Nordea Bank AB (publ), Nordea Bank Finland Plc and Nordea Bank Danmark A/S. The information provided herein is intended for background information only and for the sole use of the intended recipient. The views and other information provided herein are the current views of Nordea Markets as of the date of this document and are subject to change without notice. This notice is not an exhaustive description of the described product or the risks related to it, and it should not be relied on as such, nor is it a substitute for the judgement of the recipient. The information provided herein is not intended to constitute and does not constitute investment advice nor is the information intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has no regard to the specific investment objectives, the financial situation or particular needs of any particular recipient. Relevant and specific professional advice should always be obtained before making any investment or credit decision. It is important to note that past performance is not indicative of future results. Nordea Markets is not and does not purport to be an adviser as to legal, taxation, accounting or regulatory matters in any jurisdiction. This document may not be reproduced, distributed or published for any purpose without the prior written consent from Nordea Markets.