

Nordea

Russian Markets - Daily

October 27, 2011

RUB opened higher	USD/RUB	30.24	▼
CBR continue to help MM	EUR/RUB	42.34	▼
High O/N rates – new reality	RUB basket	35.69	▼

Hot News

- Consumer prices increased 0.1% over the period of Oct 18-24. This is a second weekly increase in a row after a long period of zero inflation or deflation. /Rosstat
- The World Trade Organisation's Working Group on Russian accession rejected a Georgian request to call off the crucial Nov. 10 meeting. The Working Group members called on Russia and Georgia to find a compromise in their dispute over trade before the Nov. 10 meeting. This is the last obstacle for Russia to become a member of the 153-nation WTO. /Reuters
- Gazprombank, one of Russia's five largest banks, is considering issuing eurobonds in GBP or CHF for the value of USD 200-300 million. /RIAN

Money Market

Liquidity is stable near somewhat uncomfortable level and today banks have 890 billion rubles (+8 bn.) on deposit and in correspondent accounts with the Central Bank. Yesterday CBR decreased REPO limit to 600 billion rubles and market borrowed ~400 bn. Today CBR will also conduct DEPO auction on order to support Money Market. We expect current liquidity squeeze will continue till the end of the month. Some stabilization is expected on the next week when the tax payments will be finished. However overnight interest rates will likely stay higher 5% in the foreseeable future.

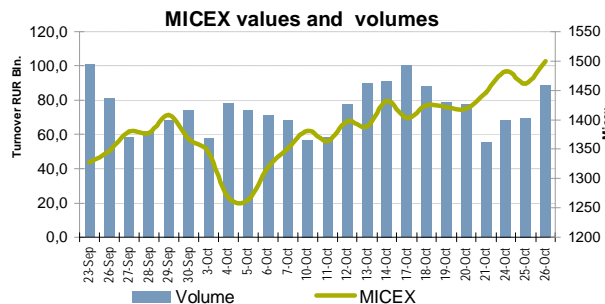
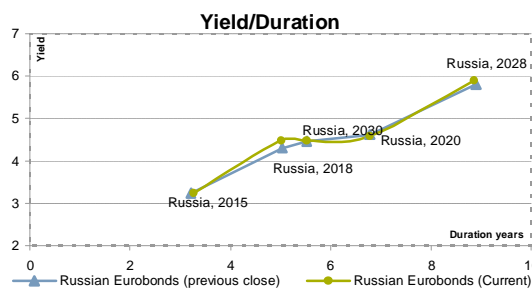
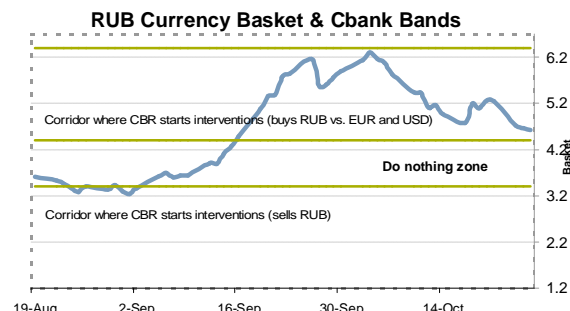
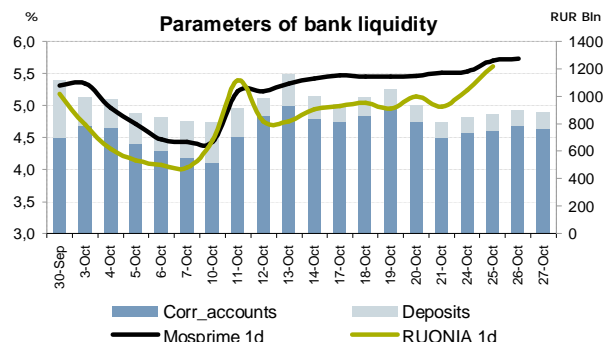
Currency Market

The RUB retreated slightly against the EUR and USD basket, finishing 11 kopeck higher to the previous close, but remaining below the 36.00 mark on yesterday (35.975). This followed a strong rally in the beginning of the week. There was also some nervousness in the global markets ahead of the long-awaited European leaders' meeting yesterday, justifying the cautious sentiment in the markets which also put pressure on oil prices, thus negatively affecting RUB. But in the evening the sentiment turned positive and alongside the rising equity markets in the US we saw strong gains in Latin EM currencies – e.g. MXN almost 2% vs USD. And the optimism was well justified as we finally got the promised "package" on the European problems which at first glance seems very ambitious. The announcement turned "risk on" across the board, with the Asian equities gaining almost 2%. The front month Brent prices, having retreated to sub USD 109/bbl yesterday afternoon, jumped over a few USD trading at almost USD 110.5/bbl here in the morning. The RUB strengthens by nearly 30 kopeck on the opening, trading at below 35.70 in the first minutes of the session, and we may see more gains here.

Debt and Equity Markets

MICEX Index rocketed by 2.6% yesterday. Oil was flat but anticipation of European events has played its role. European leaders' meeting brought positive sentiment on the market. Today the major focus is on US GDP stats. Today's opening was 2% higher. Micex index trades below strong resistance line 1560. We expect technical correction during coming few sessions.

Forwards	1m.	3m.	6m.	
USD/RUB	30,674	30,989	31,441	
EUR/RUB	42,832	43,115	43,615	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,39	0,04	6,38	3,23
MIBOR 1m (%)	6,27	0,05	6,22	3,86
RUONIA 1d (%)	5,24	0,26		
Implied NDF yield 6m%	6,51	-0,07	8,48	3,34
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	227	-3	306,75	119
Eurobond Russia 30Y	4,453	-0,058	5,48	3,914
EMBI +	592,35	1,93	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1530,11	2,00	2123,56	1217,21
Micex	1499,79	2,57	1859,99	1265,67
S&P 500	1242,00	1,05	1363,61	1099,23
DJIA	11869,04	1,39	12810,54	10655,30
Brent	110,20	-1,02	129,43	67,20



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