

Nordea

Russian Markets - Daily

October 28, 2011

RUB strengthened	USD/RUB	29.91	▼
Liquidity is very low	EUR/RUB	42.38	
High O/N rates will persist	RUB basket	35.53	▼

Hot News

- For today's CBR meeting (starting 10.00 Moscow time) there is an item "On granting the Bank of Russia to credit institutions unsecured loans". Deputy Chairman of Central Bank S. Shvetsov made a proposal to renew the unsecured lending. The issue will be voted for by the board of directors today. This tool was developed as a measure of last resort support to banks in case of emergency and is the most expensive of the entire arsenal of refinancing instruments available to the Bank of Russia. To revive it, according to Central Bank regulations, a decision of the board is required. /Kommersant
- CBR international reserves declined by USD 3.1bn to USD 514.6bn over Oct 15-21. /CBR
- Stagnation in the EU could slow down Russia's GDP growth to 2.5-3% in 2012 said Russia's Deputy Economy Minister Klepach. /Reuters

Money Market

Liquidity is very low, banks have 757 billion rubles (-132 bn.) on deposit and in correspondent accounts with the Central Bank. Yesterday CBR continued to conduct REPO and DEPO auctions. Moreover today Bank of Russia will decide whether provide liquidity via unsecured loans or not. This tool is developed as a measure of last resort support to banks in case of emergency. The fact of such a discussion implies that CBR is worry about situation in the MM. We expect current liquidity squeeze is coming to the end. Some stabilization is expected during the next week when the tax payments won't disturb Money Market. However overnight interest rates will likely stay higher 5%.

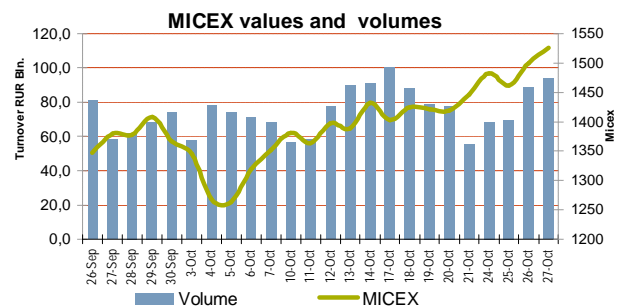
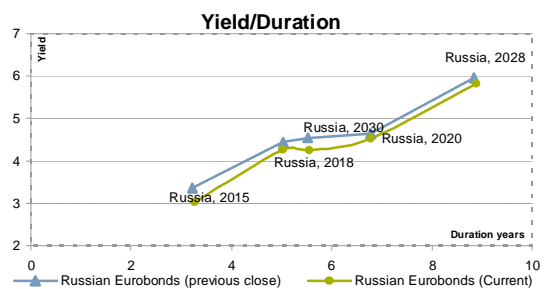
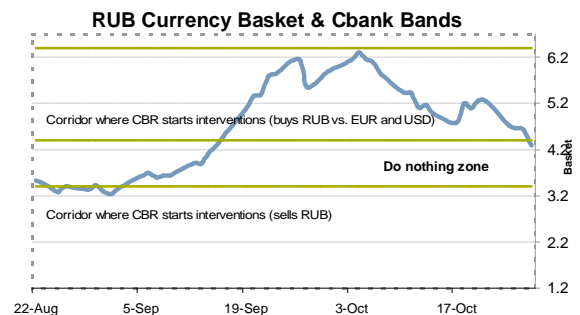
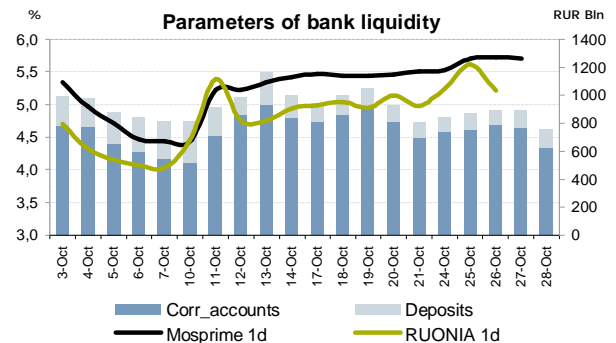
Currency Market

The RUB strengthened against the EUR and USD basket substantially yesterday, gaining 42 kopeck for the day and finishing at 33.55, thus renewing the 1.5-month lows. RUB gained especially against the USD, strengthening 76 kopeck for the day and finishing below the 30.00 mark, at 29.95. RUB was just as other EM currencies carried away by the positive risk sentiment following the meeting of European leaders. The optimism carried over to the next day, as the US equities rallying 3-4% and Asia gaining around 2%. China's out saying it is "open to all options" in aiding Europe, which gives further support to confidence. The Brent oil prices traded at just below USD 112/bbl in the morning, picking up gradually from yesterday. The CBR rates meeting in the morning – they will most likely not change any interest rates. Yet the question of unsecured liquidity provision is on the agenda, and if that is blessed the liquidity situation should improve faster. But even without that we expect improvement in line with yesterday's Economy Minister's comments that liquidity is set to get better toward the end of the year (due to fiscal reasons). RUB is strengthening fast, thus CBR reduces interventions and that also alleviates liquidity pressures. Russia is in its final steps in negotiation the WTO entry with Georgia and it seems that we are finally getting the agreement next week, which is a positive news for the Russian assets – and thus RUB. The RUB basket opens 10 kopeck, and there is no obstacles on the way for now.

Debt and Equity Markets

MICEX Index continued to grow and increased by 1.7% yesterday. Micex index trades below strong resistance line 1560. We expect technical correction during coming few sessions. RUB government bond's yield decreased, which reflects overall positive sentiment.

Forwards	1m.	3m.	6m.	
USD/RUB	30,08	30,367	30,762	
EUR/RUB	42,622	43,012	43,353	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,39	0	6,39	3,23
MIBOR 1m (%)	6,27	0	6,27	3,86
RUONIA 1d (%)	5,61	0,37		
Implied NDF yield 6m%	6,13	-0,38	8,48	3,34
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	230	3	306,75	119
Eurobond Russia 30Y	4,278	-0,175	5,48	3,914
EMBI +	598,4	6,05	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1592,93	4,11	2123,56	1217,21
Micex	1525,52	1,72	1859,99	1265,67
S&P 500	1284,59	3,43	1363,61	1099,23
DJIA	12208,55	2,86	12810,54	10655,30
Brent	111,61	1,28	129,43	67,20



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