

Nordea

Russian Markets - Daily

November 02, 2011

RUB weakened slightly	USD/RUB	30.67	▲
Tax payments are over	EUR/RUB	42.15	▼
Money Market will stabilize	RUB basket	35.84	▲

Hot News

- The CBR of Russia expects a total of USD 70bn in capital outflow this year, which is USD 20bn than the latest official government's forecast. /Reuters
- Russia's manufacturing PMI rose from 50 in September to 50.4 in November. /Reuters
- Two state banks - Sberbank and Rosselkhozbank - announced an increase on deposit rate by 0,25-1,3%. State banks responded to the liquidity squeeze latest - all private banks have already revised rate of return of their deposits. In October the average maximum interest rate (based on 10 credit institutions, which attract the greatest amount of deposits) increased from 8,14% to 8,33%, i.e. to higher than it was in the beginning of the year (8,25%). /Vedomosti

Money Market

Liquidity level increased slightly, today banks have 828 billion rubles (+24 bn.) on deposit and in correspondent accounts with the Central Bank. As long as tax paying period is over and market participants do not need urgent liquidity we expect rates will decrease. Moreover CBR continue to provide liquidity via REPO auctions with up to 600 bn. rubles daily limit, which is more than enough during current decade. Thus Money Market rates can decrease slightly. Concerning next tax paying period there is a hope that an acceleration of budget spending during November-December will help market to avoid liquidity squeeze in the end of the year.

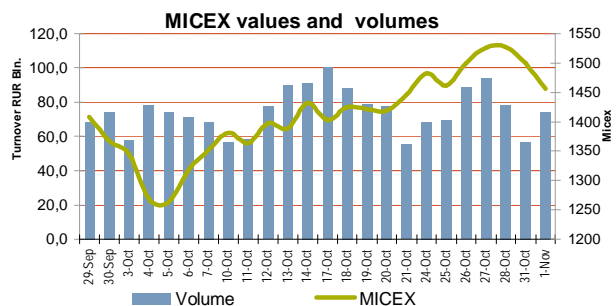
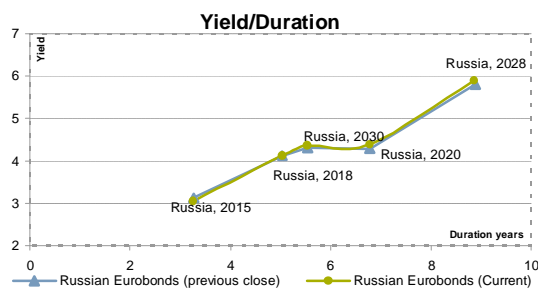
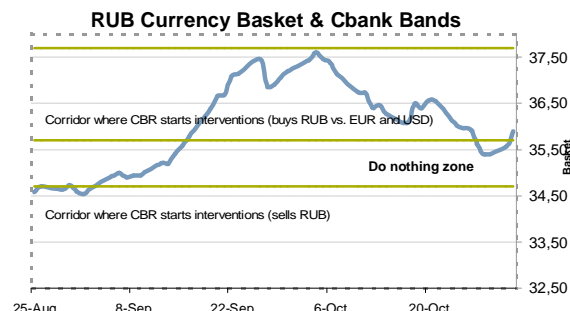
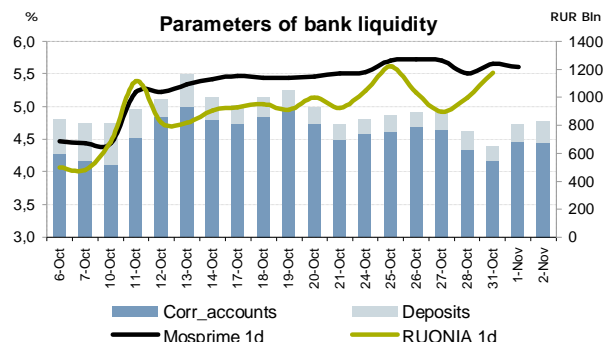
Currency Market

The RUB retreated against the EUR and USD basket yesterday and touched 36 rubles per basket. The weakening was on Tuesday as the decision of the Greek prime minister to put the country's bailout to a referendum which raised fears and turned market sentiment into negative. Moreover negative US and China statistics put a pressure on the markets. Oil also decreased. However today commodity market tries to rebound, oil trades slightly under USD 110/bbl. Ruble follows this pattern and opened higher today in the beginning on the session. Basket trades at RUB35.34, USD lost 10 copecks in the morning hours, EUR practically unchanged. The US Fed meeting is the major focus of the day. Also ADP unemployment statistics can interfere into the market. We expect relative flat intraday RUB dynamics.

Debt and Equity Markets

MICEX Index slumped yesterday (-2%) but today market opened higher. Micex index technical drawdown reached its target at 1450. Now market will probably try to resume its growth. Market seems overreacted given the latest Greece referendum news. We expect that the situation will clear up before the start of the G20 meeting tomorrow. However the implications are ambiguous and the most expected scenario for today is flat. US October ADP payrolls are due at 13:15 CET. Fed will announce the decisions at 17:30 CET.

Forwards	1m.	3m.	6m.	
USD/RUB	30,928	31,243	31,703	
EUR/RUB	42,326	42,609	43,109	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,33	0,03	6,39	3,23
MIBOR 1m (%)	6,29	0,05	6,29	3,87
RUONIA 1d (%)	5,14	0,22		
Implied NDF yield 6m%	6,6	0,39	8,48	3,42
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	220	22,5	306,75	119
Eurobond Russia 30Y	4,338	0,128	5,48	3,914
EMBI +	596,56	-1,41	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1484,98	-5,01	2123,56	1217,21
Micex	1456,29	-2,82	1859,99	1265,67
S&P 500	1218,28	-2,79	1363,61	1099,23
DJIA	11657,96	-2,48	12810,54	10655,30
Brent	109,04	0,17	129,43	67,20



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