

Nordea

Russian Markets - Daily

November 03, 2011

| | | | |
|-----------------------------|------------|-------|---|
| RUB was volatile | USD/RUB | 30.84 | ▲ |
| Liquidity is low | EUR/RUB | 42.23 | ▲ |
| Rates are still high | RUB basket | 35.95 | ▲ |

Hot News

- The Deputy CBR governor S. Shvetsov said the CBR is not going to change the interest rates in the near future. He said the money market rates are at acceptable level. He noted again the inflationary risks due to still strong consumption, but also due to RUB weakness. /Interfax
- Shvetsov also said that currency policy could be changed in coming months. "We plan to carry out less interventions (next year). Our presence on the market will be decreasing," he said, adding that there was a chance that the central bank could widen the rouble's trading band before the end of this year but this was not very likely.
- Consumer prices accelerated to 0.2% w/w, up from 0.1% w/w in the previous week. Thus, CPI already rose 0.4% for the month. /Rosstat
- Russia removed the last major hurdle to its 18-year-old bid to join the World Trade Organization on Wednesday by agreeing to a compromise deal with Georgia, and it could now join the global trading club within months.
- Russian services sector activity continued moderate expansion in October, helped by a small rise in new businesses, but still remained on a weak growth trajectory, the HSBC purchasing managers index (PMI) showed on Thursday. The headline figure rose to 53.5 in October from 53.3 in the preceding month.
- Cuts in export duty pushed Russia's oil production, the world's largest, to a post-Soviet high of 10.34 million barrels per day (bpd) in October, the Energy Ministry said on Wednesday.

Money Market

Liquidity level decreased and stayed at very uncomfortable levels. Banks have 694 billion rubles (-133 bn.) on deposit and in correspondent accounts with the Central Bank. Tax paying period is over but current low liquidity level do not allow rates to relax. CBR continue to provide liquidity via one-day REPO auctions, yesterday demand was at around RUB200 bn., average rate was at 5.3%. There is a big hope that in the end of the year a huge budget spending will provide market with necessary liquidity.

Currency Market

The RUB spent volatile session yesterday and basket finished without significant changes under 36 rubles. Relative stable oil prices help market to resist external pressure. The volatility was due to new warning concerning Greece referendum. Moreover Russian Central Bank's raised 2011 capital outflow forecast to \$73.6 billion, up from the latest official forecast of \$50 billion. This factor made investor nervous. Today in the morning basket trades slightly below RUB36, USD has almost reached 31 ruble, EUR stays near RUB42.2.

Debt and Equity Markets

MICEX Index rose by 2% yesterday but today market opened 2% lower. High volatility corresponds external instability. G20 summit is set to commence today in Cannes, also ECB meeting and US stats will influence the market. Technical situation is quite difficult. Concerning bond market Russian Finance Ministry sold less than half the six-year OFZ treasury bonds it offered on Wednesday due to worsening debt crisis in the euro zone.

Dmitry Savchenko +7 495 7773477
Aurelija Augulyte +45 3333 6437

Dmitry.Savchenko@nordea.ru
Aurelija.Augulyte@nordea.com

| Forwards | 1m. | 3m. | 6m. | |
|-----------------------|----------|--------|----------|----------|
| USD/RUB | 30,85 | 31,154 | 31,599 | |
| EUR/RUB | 42,234 | 42,649 | 43,267 | |
| Money Market | Close | Change | Max 12m | Min 12m |
| MosPrime 1M (%) | 6,32 | -0,01 | 6,39 | 3,23 |
| MIBOR 1m (%) | 6,28 | -0,01 | 6,29 | 3,87 |
| RUONIA 1d (%) | 5,52 | 0,38 | | |
| Implied NDF yield 6m% | 6,4 | -0,2 | 8,48 | 3,42 |
| Debt | Close | Change | Max 12m | Min 12m |
| Russia CDS 5yr | 215 | -5 | 306,75 | 119 |
| Eurobond Russia 30Y | 4,366 | 0,028 | 5,48 | 3,914 |
| EMBI + | 598,3 | 1,74 | 598,99 | 542,64 |
| Stock Indexes | Close | Change | Max 12m | Min 12m |
| RTSI | 1526,19 | 2,78 | 2123,56 | 1217,21 |
| Micex | 1488,86 | 2,24 | 1859,99 | 1265,67 |
| S&P 500 | 1237,90 | 1,61 | 1363,61 | 1099,23 |
| DJIA | 11836,04 | 1,53 | 12810,54 | 10655,30 |
| Brent | 108,65 | -0,36 | 129,43 | 67,20 |

