

Nordea

Russian Markets - Daily

November 04, 2011

RUB gained	USD/RUB	30.57	▼
Liquidity is poor, waits for budget spending	EUR/RUB	42.10	▼
Rates decreased slightly	RUB basket	35.76	▼

Hot News

- Russia finally settled the issues with Georgia on WTO entry, so now only technicalities remain. The key dates in the accession process are November 10-11, where the working party meets to finalize the recommendations which will be prepared for the WTO's Ministerial Conference on December 15. Following that the Russian parliament will within 3 months' time have to vote on the decision, and, once approved, Russia will officially enter the WTO a month after. /Interfax
- Russia has lost position in the annual ranking published by the UN, Human Development Index – now it is placed 66th place (among 187) between Belarus and Grenada. HDI is calculated based on life expectancy, literacy, educational level and quality of life. /Interfax
- CBR international reserves increased by USD 7.4bn to USD 522bn over Oct 22-28. /CBR
- Inflation rose 0.5% m/m in October. In y/y terms inflation stopped falling and stabilized at 7.2%. /Rosstat
- Putin announced that government will keep limiting the prices of natural monopolies at inflation rates. /Vedomosti

Money Market

Liquidity level decreased further and reached new bottom. As a result banks have 658 billion rubles (-35 bn.) on deposit and in correspondent accounts with the Central Bank. CBR conduct one-day REPO auctions on the daily basis and demand keeps on high levels. Overnight rates are still near 5%, banks try to attract deposits by increasing interest rates which indicates that banks do not expect liquidity problem to disappear. However we expect that in the end of the year a lump of budget spending will support market with extra liquidity and solve the current problem.

Currency Market

The RUB market was closed on Friday. On Thursday RUB benefitted from the overall positive reaction to the ECB move, finishing the daily session at 35.70, i.e. 7 kopeck stronger vs the EUR and USD basket than the day before. The positive US job market report on Friday and the news that the Greeks agreed to form a new unity government has turned the market sentiment slightly positive, but the risk perception is growing again - yet another Eurogroup meeting today on the agenda, and any negative outcome will hit the risk appetite time and again. Moreover, Italy is now under attack with the sovereign spreads widening to historic highs and a vote on budget tomorrow, so even a blessing on the Greek debt package does not prevent spillover effects to the rest of the periphery. With the Europe still being the markets' key driver, some positive news from the Russians – the WTO entry finally is a done deal after 18 years of negotiations, which will help improve Russia's image and thus hopefully attract some badly needed FDIs which will help RUB. The Brent oil prices lie comfortably above USD 113/bbl here in the morning, supporting RUB in the short run. The Russian CDS have also declined from 335bp on the October 4th to 210bp now, thus reflecting improving sentiment toward Russia. RUB opened at around Thursdays close.

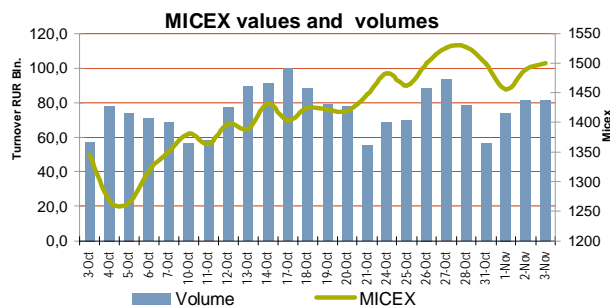
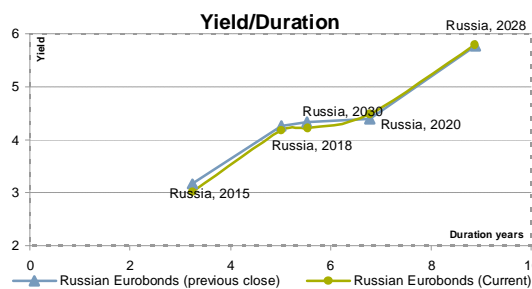
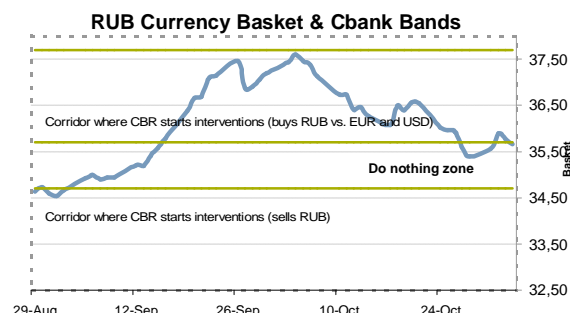
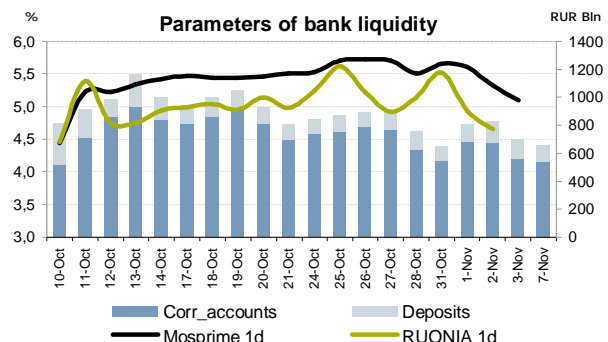
Debt and Equity Markets

MICEX Index rose by 0.8% on Thursday. Russian markets didn't work on Friday due to holidays. Today market opened 0.5% higher. The basic driver of the stock market – oil – trades at comfortable levels above \$113. Recent correction was stopped by positive news from external markets. However we expect flat dynamics before a healthy growth.

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

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

Forwards	1m.	3m.	6m.	
USD/RUB	30,719	31,022	31,462	
EUR/RUB	42,291	42,736	43,346	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,26	-0,06	6,39	3,23
MIBOR 1m (%)	6,18	-0,1	6,29	3,87
RUONIA 1d (%)	4,93	-0,59		
Implied NDF yield 6m%	6,29	-0,11	8,48	3,42
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	210	-5	306,75	119
Eurobond Russia 30Y	4,175	-0,191	5,48	4,011
EMBI +	602,33	4,03	602,33	0
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1542,39	1,06	2123,56	1217,21
Micex	1501,18	0,83	1859,99	1265,67
S&P 500	1253,23	-0,63	1363,61	1099,23
DJIA	11983,24	-0,51	12810,54	10655,30
Brent	113,08	4,08	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.