

Nordea

Russian Markets - Daily

November 08, 2011

| | | | |
|-----------------------------------|-------------------|--------------|---|
| RUB was flat | USD/RUB | 30.43 | ▼ |
| Liquidity is uncomfortable | EUR/RUB | 41.88 | ▼ |
| Rates are relatively high | RUB basket | 35.58 | ▼ |

Hot News

- The CBR reduced net foreign currency sales in October, with USD sales amounting to USD 4.37bn in October, down from USD 6.76bn in September. /CBR
- Russia, holder of the world's third largest foreign reserves, gave a vote of no confidence on Monday in Europe's handling of its debt crisis as the head of the International Monetary Fund visited Moscow to seek support. Prime Minister Vladimir Putin faulted the construction of the euro zone's bailout fund, the European Financial Stability Facility (EFSF), and reiterated that Russia and other major emerging nations would prefer to channel any aid via the IMF.
- IMF's Lagarde said Russia joining the WTO will not help exports much (since its energy intensive), but it is an overall positive signal. /Reuters

Money Market

Liquidity level is uncomfortable during these days. Banks have 708 billion rubles (+50 bn.) on deposit and in correspondent accounts with the Central Bank. Demand on CBR one-day REPO auctions totaled RUB150 bn. today. Moreover Ministry of Finance placed RUB180 bn. on monthly deposits in the banking sector under 6.55%. Thus demand for liquidity was more than satisfied for today. Overnight rates will probably stay near 5%. Longer 3-month rates will probably decline till the end of the year as budget spendings accelerate.

Currency Market

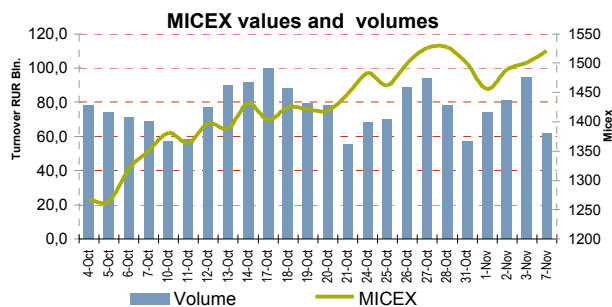
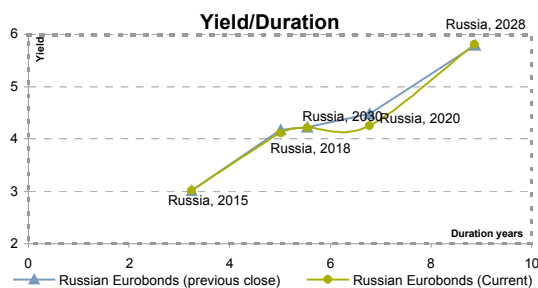
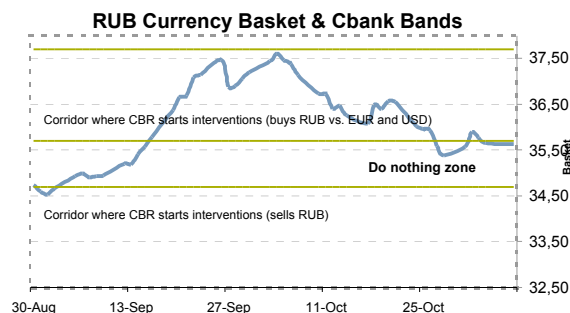
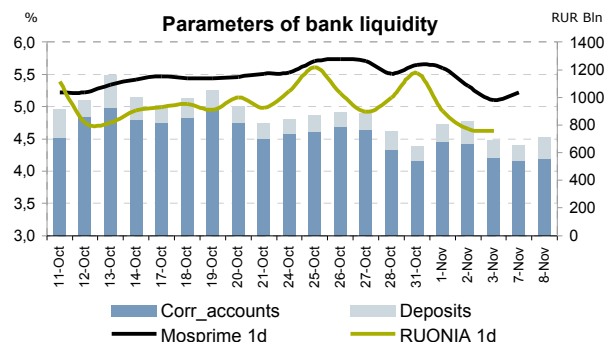
The RUB had marginal changing during Monday, finishing the daily session at 35.65. Today's opening was couple kopeck lower and ruble continued to grow during morning hours given extremely positive oil prices. The Brent oil prices stay above USD 114/bbl in the morning, supporting RUB in the short run. From the other side quite vulnerable risk appetite due to Euro zone problems will put some pressure and limit upward trend. Central Bank currently do not intervene on the currency market, exporters demand for rub will support Russian currency along with low liquidity and high oil prices. Thus we expect moderate decrease of the currency basket.

Debt and Equity Markets

MICEX Index rose 0.6%. Russian stock markets opened higher today. Strong oil prices will continue to support Russian market. Global markets will continue to monitor events in Italy and Greece. Italian yields rose yesterday, with the 10-year one at 6.60% and the 2-year one 2.30%.

Recent local correction was stopped by positive news from external markets. However there is no certainty considering unstable situation in Italy, Greece and other PIIGS. But printing press is ready to solve any problems and from this point of view we look positively on the market.

| Forwards | 1m. | 3m. | 6m. | |
|-----------------------|----------|---------|----------|----------|
| USD/RUB | 30,662 | 30,973 | 31,413 | |
| EUR/RUB | 41,9662 | 42,3958 | 43,0044 | |
| Money Market | Close | Change | Max 12m | Min 12m |
| MosPrime 1M (%) | 6,24 | -0,02 | 6,39 | 3,23 |
| MIBOR 1m (%) | 6,18 | 0 | 6,29 | 3,87 |
| RUONIA 1d (%) | 4,65 | -0,28 | | |
| Implied NDF yield 6m% | 6,36 | 0,07 | 8,48 | 3,42 |
| Debt | Close | Change | Max 12m | Min 12m |
| Russia CDS 5yr | 210 | 0 | 306,75 | 119 |
| Eurobond Russia 30Y | 4,155 | -0,02 | 5,48 | 4,02 |
| EMBI + | 602,85 | 0,52 | 602,85 | 0 |
| Stock Indexes | Close | Change | Max 12m | Min 12m |
| RTSI | 1563,24 | 1,35 | 2123,56 | 1217,21 |
| Micex | 1521,01 | 1,32 | 1859,99 | 1265,67 |
| S&P 500 | 1261,12 | 0,63 | 1363,61 | 1099,23 |
| DJIA | 12068,39 | 0,71 | 12810,54 | 10655,30 |
| Brent | 114,28 | 1,06 | 129,43 | 67,20 |



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