

Nordea

Russian Markets - Daily

October 05, 2011

RUB basket trades near highs	USD/RUB	32.68	▼
Liquidity is lower	EUR/RUB	43.54	▲
Rates decreased slightly	RUB basket	37.57	▼

Hot News

- Consumer prices remained unchanged in September, growing 7.2% y/y. down from 8.2% y/y in August. Food prices kept decelerating – food inflation was recorded at 6.4% in September. Non-food inflation accelerated to 0.7% m/m, remaining unchanged at 6.8% in y/y terms. /Rosstat
- Fitch believes that the increase in borrowing of Russian banks at the CBR and the Finance Ministry does not indicate a real concern with liquidity situation in the sector and poses no threat to the ratings. In general, according to Fitch report, the Russian banking sector has strengthened relative to the beginning of the crisis, and the agency believes that in the event of a significant reduction in liquidity can be expected that the authorities will again intervene. /Interfax
- Talks on Russia's accession to the WTO are at the end of the final stage of accession, and may be completed in December, told reporters Deputy Economic Development Minister Andrei Slepnev. /Interfax

Money Market

Liquidity decreased. Today banks have 878 billion rubles (-100 bn.) on deposit and in correspondent accounts with the Central Bank. This is relatively low for the current decade. However overnight rates were lower 5% for the top banks which reflects stabilization on the money market. From the other side some players offer relatively high rates to retain corporate deposits. Demand for CBR REPO auctions remains high, CBR pumped in ~RUB180bn yesterday and 87bn. today.

Currency Market

The RUB kept retreating against the basket yesterday, closing at 37.55, i.e. 14.5 kopeck higher than the day before. RUB weakening was however mild relative to the sharp sell-off in the alternative markets – e.g. Russian equities saw another “black Tuesday” with drops exceeding 5%. Late yesterday a relief rally started in the US session on Bernanke's comment that Fed is “prepared to take further action as appropriate” as well as the FT article revealing that European leaders are in talks to shore up European banks. But the downgrade to Italy from Moody's threw some cold water on the markets and the sentiment is again turning more negative. Fitch positive comments yesterday on the Russian financial system should help prevent panic. RUB basket traded just a few kopecks below the yesterday's close levels. RUB has weakened too much already relatively to Brent oil prices which now trade at around USD 101.5/bbl. The 100 mark, as it follows from CBR's new guidelines for monetary, is a crucial marking point between capital inflows and outflows to Russia in 2012.

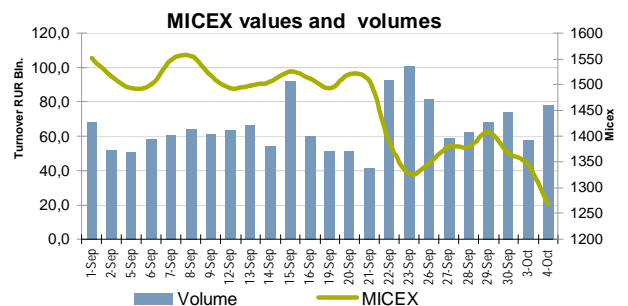
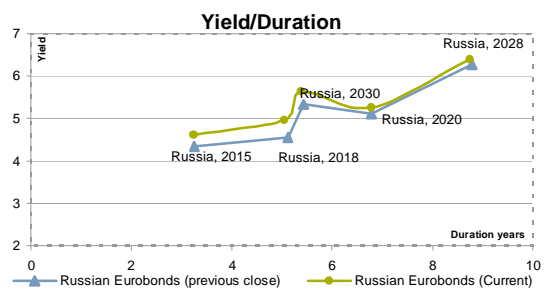
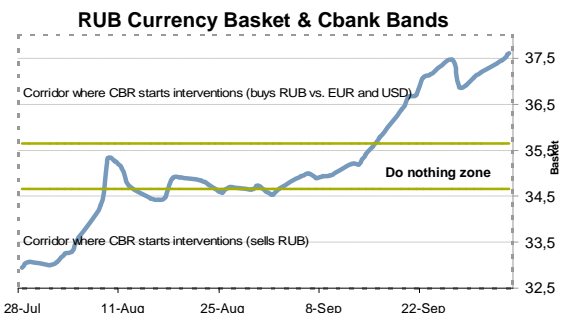
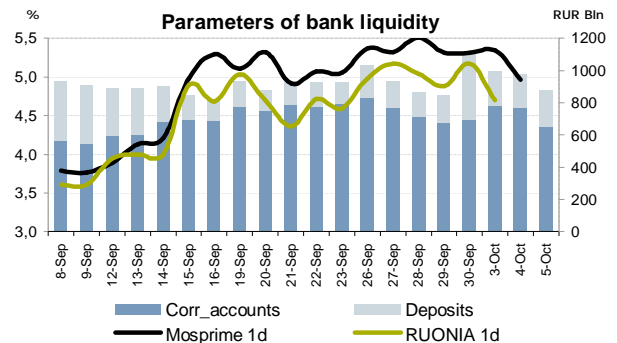
Debt and Equity Markets

MICEX Index decreased on 5% yesterday. Oil crossed down \$100 per barrel which terrified Russian investors. However today Brent oil prices trade at around \$101.5/bbl. Russian market opened 2% higher. Technically 1200-1300 is supporting zone for the MICEX index – good levels for the long-term ideas.

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Forwards	1m.	3m.	6m.	
USD/RUB	32,821	33,215	33,724	
EUR/RUB	43,7011	44,226	44,9023	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,14	-0,17	6,33	3,23
MIBOR 1m (%)	6,04	-0,05	6,09	3,81
RUONIA 1d (%)	5,17	0,29		
Implied NDF yield 6m%	7,12	0,19	8,48	3,17
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	293	0	306,75	119
Eurobond Russia 30Y	5,485	0,126	5,485	3,914
EMBI +	569,12	-2,86	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1224,92	-5,17	2123,56	1224,92
Micex	1267,77	-5,72	1859,99	1267,77
S&P 500	1123,95	2,25	1363,61	1099,23
DJIA	10808,71	1,44	12810,54	10655,30
Brent	101,67	0,83	129,43	67,20



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