

# Nordea

## Russian Markets - Daily

October 06, 2011

<b>RUB tries to rebound</b>	USD/RUB	32.51	▼
<b>Liquidity decreased further</b>	EUR/RUB	43.38	▼
<b>Rates can stay elevated</b>	RUB basket	37.39	▼

### Hot News

- CBR Chairman Ignatyev said that Russia saw around USD 13bn in capital flight in September. /CBR
- According to CBR Chairman Ignatyev, the CBR sold USD 1.15bn of the foreign reserves on Tuesday alone. "We sold more than usual" – said Ignatyev. Since the start of September the CBR sold around USD 9.2bn defending RUB. /Reuters
- Consumer prices remained unchanged over the week of Sept 27-Oct 3. Food prices continued to deflate led by buckwheat and wheat prices. /CBR
- Foreign direct investment in the Russian economy in January-September 2011 increased 19.4% over the same period in 2010 and amounted to \$ 28.3. /CBR

### Money Market

Liquidity decreased further. Today banks have only 844 billion rubles (-34 bn.) on deposit and in correspondent accounts with the Central Bank. Central Bank via currency market interventions is pumping out RUB liquidity. According to CBR Chairman Ignatyev, the CBR has bought more than RUB30 bn. on Tuesday alone which is very big sum. Total liquidity amount is relatively low for the current decade. Overnight rates were lower only because of low demand but in the end of the month we will likely see usual liquidity squeeze.

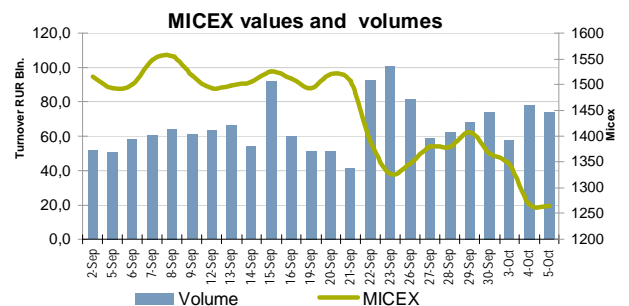
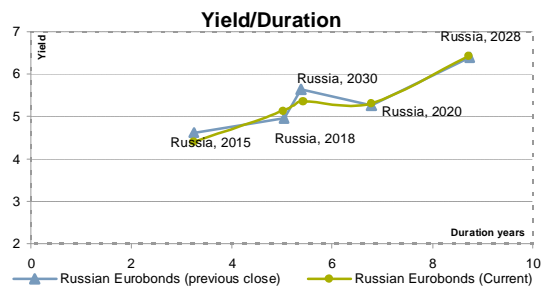
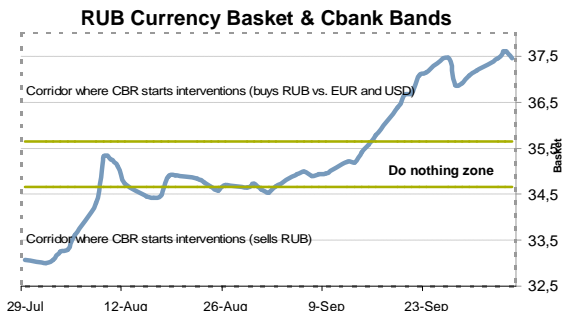
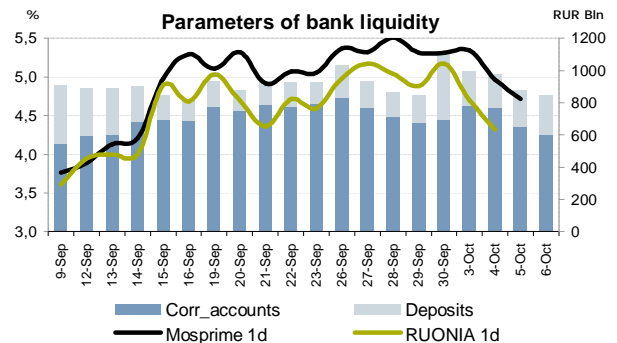
### Currency Market

The RUB strengthened against the EUR and USD basket yesterday, gaining 14.5 kopeck and closing at 37.41. The recovery was influenced by the turn in the global risk sentiment, as the US data (ADP, ISM service) came out better than expected, and the IMF hinted they are ready to step in buy European bonds if needed. Locally CBR chief's Ignatyev's comments yesterday confirmed that CBR is backing up RUB – USD 1.15bn in FX sales on Tuesday alone is big and more than "usual", Ignatyev admitted himself. So far since September the CBR absorbed nearly RUB 300bn in domestic liquidity defending RUB, which means they care about the RUB more than about the liquidity situation (and higher rates). Tightening liquidity will eventually help RUB recover – remember the last year's episode at the end of the year when the liquidity squeeze caused the locals to chase RUB. Today the markets start "risk on", the front month Brent picked up to USD 102.5/bbl and the Russian equities climb nearly 2% on the opening. No surprise – RUB opens stronger, trading around 37.35 in the first minutes of the daily session.

### Debt and Equity Markets

MICEX Index decreased slightly yesterday. Oil restored and trades higher \$103 per barrel which is quite reassuring. Russian market opened 2% higher today. Technically 1200-1300 is supporting zone for the MICEX index. Some investors consider these levels to be an appropriate for the long-term ideas. Russia keeps its strong GDP growth and from the stock market point of view a lot of companies reached very attractive P/E ratios.

Forwards	1m.	3m.	6m.	
USD/RUB	32,665	33,055	33,55	
EUR/RUB	43,55	44,05	44,73	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,06	-0,08	6,33	3,23
MIBOR 1m (%)	6,04	0	6,09	3,81
RUONIA 1d (%)	4,7	-0,47		
Implied NDF yield 6m%	6,98	-0,14	8,48	3,23
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	305	12	306,75	119
Eurobond Russia 30Y	5,336	-0,149	5,48	3,914
EMBI +	570,62	1,5	598,99	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1225,82	0,07	2123,56	1217,21
Micex	1264,18	-0,28	1859,99	1264,18
S&P 500	1144,03	1,79	1363,61	1099,23
DJIA	10939,95	1,21	12810,54	10655,30
Brent	102,34	0,66	129,43	67,20



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