

# Nordea

## Russian Markets - Daily

November 21, 2011

<b>RUB declined on risk aversion</b>	USD/RUB	30.98	▲
<b>Money Market is waiting for taxes</b>	EUR/RUB	41.85	▲
<b>Rates can increase</b>	RUB basket	35.88	▲

### Hot News

- RUB is more likely to strengthen rather than weaken toward the year-end, said CBR chief Ignatyev. /Reuters
- According to Ignatyev, the net private capital outflows were recorded at USD 13bn in October, down from USD 14bn in September. Ignatyev said the tendency for decrease remains, but also noted that the outflows remained big despite the relatively more calm markets. CBR forecast USD 70bn outflows this year, but already USD 64bn outflows were recorded in the first 10 months. Ignatyev said we might "probably" see small inflows next year. /Interfax
- Fixed capital investments grew 8.6% y/y in October, slightly up from 8.5% y/y in September, while the retail sales grew 8.8% y/y, slightly less than in September (9.2% y/y). /Rosstat

### Money Market

Liquidity was relatively stable and banks have ~800 bn. rubles on deposit and in correspondent accounts with the Central Bank. However today VAT payments will deteriorate liquidity and we expect high demand on CBR repo auctions. Also overnight interest rates can increase to CBR repo rate at 5.25%. Only budget spending can stabilize money market. We anticipate this will happen only in the middle of December.

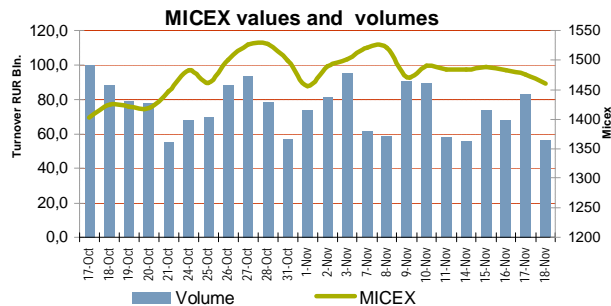
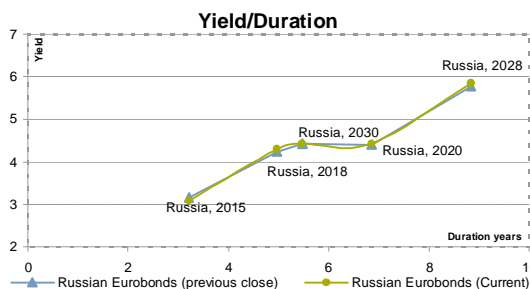
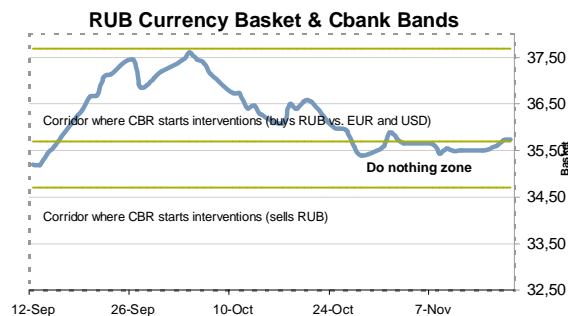
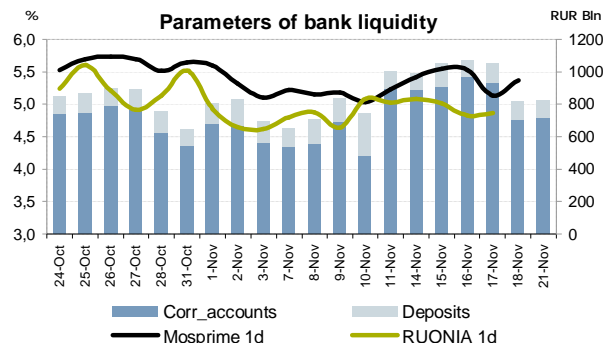
### Currency Market

The RUB basket remained nearly unchanged, rising just 4 kopecks on Friday and finishing at 35.8, thus renewing the two-week highs. RUB was under pressure in the first part of the day due to the concerns in the euro area with the sovereign yields widening toward Bunds. The monthly stats on the economy came out better than expected – domestic demand is still running at growth rates above potential and the capex has also accelerated. Thus, no impact of the recently tight liquidity is yet seen on the real economy. With Russian GDP dependent primarily on the domestic demand such trends make Russia more resilient to the global slowdown – as long as government benefits from high oil prices. The CBR is apparently not happy with the accelerating inflation, which, according to their comments last week, is partly due to RUB weakening. Hence, no surprise with the "open mouth" operations from the CBR chief Ignatyev on Friday, where he said that his "personal" view is that RUB will more likely strengthen toward the end of the year. The global markets start the week in a sour mood, with the Chinese equities losing nearly 2%. The front month Brent prices retreated to USD 107.60/bbl here in the morning, thus making RUB open slightly weaker – the RUB basket traded around 8 kopeck higher in the first hour of the session. Europe is again the key risk factor for today, with the French and Dutch auctions on the agenda. The RUB basket found support at 35.70 at the end of last week. 36.00 remains the resilience for now.

### Debt and Equity Markets

Russian stock market decreased by 1% on Friday's session. Risk aversion put a pressure on the EM markets. MICEX Index shows quite negative technical picture, which declares further correction. Micex index broke support at 1450-1440 and next target lays at 1400. Commodity market doesn't support energy stocks, other market ideas are unessential.

Forwards	1m.	3m.	6m.	
USD/RUB	30,971	31,282	31,71	
EUR/RUB	41,864	42,28	42,859	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,28	0	6,39	3,23
MIBOR 1m (%)	6,28	-0,05	6,34	3,87
RUONIA 1d (%)	4,83	-0,18		
Implied NDF yield 6m%	6,71	0,2	8,48	3,42
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	248	1,25	306,75	119
Eurobond Russia 30Y	4,447	-0,02	5,48	4,039
EMBI +	595,51	-1,18	603,86	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1495,87	-1,11	2123,56	1217,21
Micex	1460,56	-1,00	1859,99	1265,67
S&P 500	1215,65	-0,04	1363,61	1099,23
DJIA	11796,16	0,22	12810,54	10655,30
Brent	107,62	-0,64	129,43	67,20



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