

RUB declined	USD/RUB	30.98	▲
Rates are still higher	EUR/RUB	41.85	▲
Regulators control MM	RUB basket	35.88	▲

Hot News

- The federal budget surplus of Russia in 2011 may amount to 0.3-0.4% of GDP, said the acting Finance Minister Anton Siluanov. He noted that all the funds that FinMin gets this year will be used to reduce borrowings on the domestic market next year. Siluanov noted that FinMin plans a negative net borrowing in the foreign markets next year. /Interfax
- Privatization of state companies may be delayed for years, if the decision to freeze the process until the stock prices of companies reach a level of value of the securities of the IPO is made, said the head of Russia's largest state bank G. Gref. This was a comment to the proposal of Deputy Prime Minister Igor Sechin. /Interfax
- Russia's economy will likely grow faster than previously estimated in 2011, said the head of the economy ministry's economic forecasting unit O. Zasov, noting that GDP may expand 4.2-4.5% this year. /Reuters

Money Market

Liquidity was relatively stable in spite of VAT payments. Liquidity on deposit and in correspondent accounts with the Central Bank totaled ~800 bn. rubles. Demand on CBR repo auctions will continue to increase. Yesterday according to market sources some budget money appeared in the system. This can be only government attempt to mitigate liquidity squeeze but anyway this is positive signal. We anticipate full-speed acceleration of budget spending in the middle of December.

Currency Market

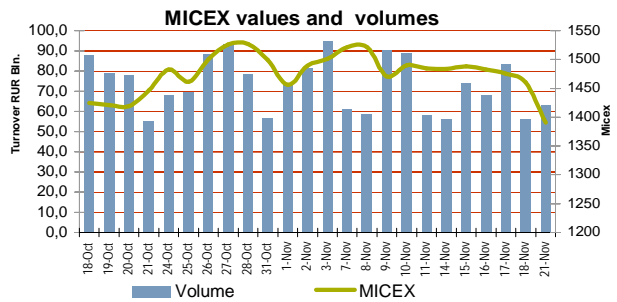
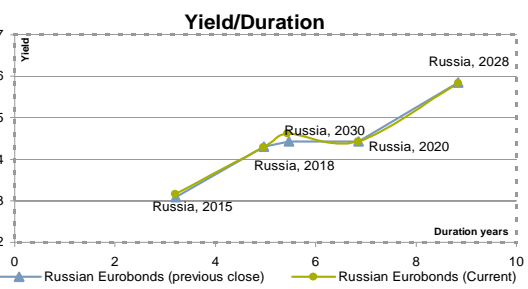
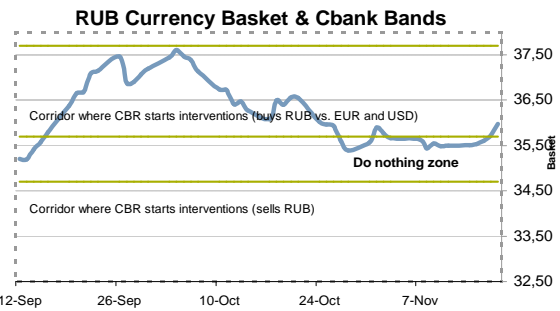
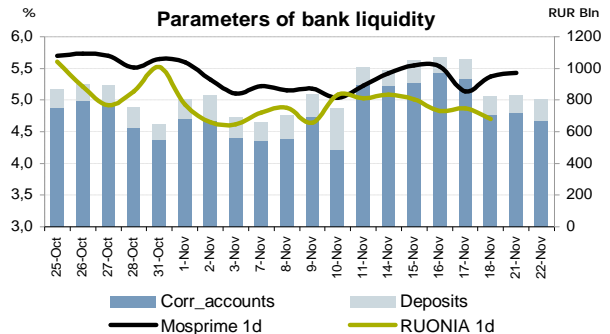
The RUB retreated against the EUR and USD basket on Monday, rising 17 kopeck and closing at 35.93. RUB lost especially against the USD, weakening 27 kopeck for a day. The latter was provoked by the negative dynamics in the oil market, as the Brent oil prices retreated to as low as USD 106/bbl yesterday, trading just around USD 106.5/bbl here in the morning. We still expect the oil prices to remain at around USD 110/bbl in the year to come, but any increase in risk aversion may cause short term volatility – for Russia USD 100/bbl remains the psychological mark, as the budget for the coming years is based on such price. Falling oil prices also caused the Russian CDS to widen around 15bp yesterday to 261bp, which is also RUB negative. On a more positive note, however, remember the Russian economy is still growing fast (yesterday's EconMin forecast upgrades confirm our expectation) and the CBR is not happy about inflation (which is partly a result of RUB weakening), so do not expect any rate cuts – on the contrary, if capital outflow resumes the CBR may actually raise the deposit rate in a protective move. Yesterday's comments from CBR that they expect a stronger RUB toward the year end support such an expectation. In relative terms among EM RUB still remains outperformer – lost much less than TRY, ZAR, PLN, INR, CZK, HUF – yesterday. For now the risk sentiment remains negative – VIX elevated, Asian currencies dropped over 0.5% vs USD tonight and most equities in the red. RUB opened around yesterday's levels and the basket will face resistance at 36.00 for now.

Debt and Equity Markets

Russian stock market slumped yesterday (-4,7%). Global negative sentiment and new wave of risk aversion made capital escape from RUB and Russian market. However today we don't see such a gloomy background and market opened 1% higher. Micex index has support at 1400. However situation is unstable and market will be volatile. 1300-1400 range will probably attracts some strategic investors.

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Forwards	1m.	3m.	6m.	
USD/RUB	31,176	31,489	31,92	
EUR/RUB	42,008	42,468	43,088	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,26	-0,02	6,39	3,23
MIBOR 1m (%)	6,28	0	6,34	3,87
RUONIA 1d (%)	4,87	0,04		
Implied NDF yield 6m%	6,4	-0,31	8,48	3,42
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	263	15	306,75	119
Eurobond Russia 30Y	4,622	0,175	5,48	4,039
EMBI +	591,94	-3,57	603,86	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1424,97	-4,74	2123,56	1217,21
Micex	1390,56	-4,79	1859,99	1265,67
S&P 500	1192,98	-1,86	1363,61	1099,23
DJIA	11547,31	-2,11	12810,54	10655,30
Brent	107,21	-0,38	129,43	67,20



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