

Nordea

Russian Markets - Daily

November 23, 2011

RUB decline was limited by exporters purchases	USD/RUB	31.20	▲
Liquidity is low	EUR/RUB	42.01	▲
O/N rates are near CBR repo	RUB basket	36.07	▲

Hot News

- GDP growth in October was 0.9% m/m (sa), said economy minister Nabiullina, which was highest growth rate so far this year. In Jan-Oct thus the economy already expanded by 4.3%. Economic growth was supported by the revival of industrial production growth recorded at 0.8% m/m in October. /Interfax
- The Duma passed the state budget for 2012 and 2013-2014 in the final reading. The budget pencils in a 1.5% of GDP deficit in 2012, 1.6% in 2013, 0.7% in 2014. Domestic borrowing is planned at RUB 1.2 trillion and the oil reserve fund will be refilled by RUB 565bn in 2012. /Interfax

Money Market

Liquidity keeps at relatively uncomfortable levels, however money market haven't faced serious problems yet. Liquidity on deposit and in correspondent accounts with the Central Bank totaled ~800 bn rubles. Demand on CBR repo auctions is high but is far from recent records. There is some rumors that budget money start to leak out on the market which is quite positive for the money market.

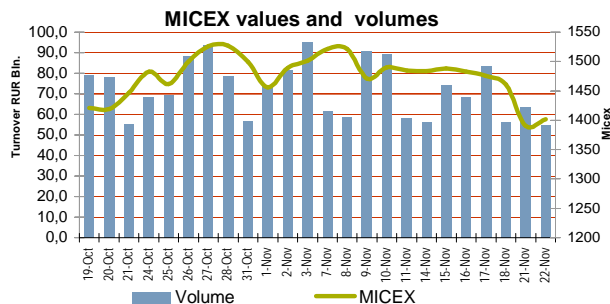
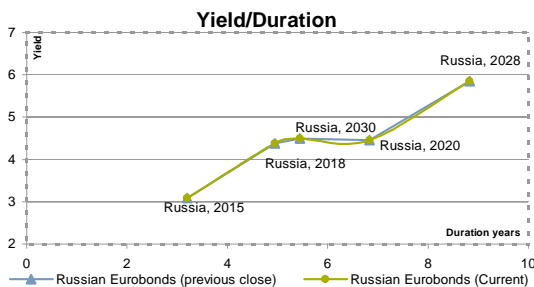
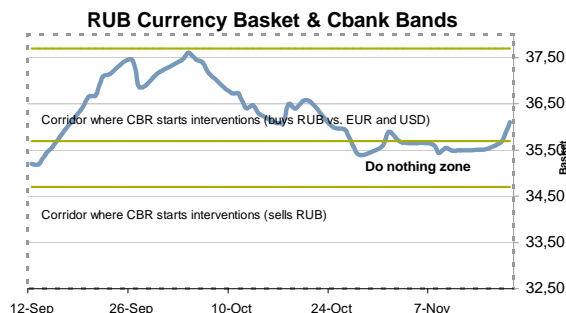
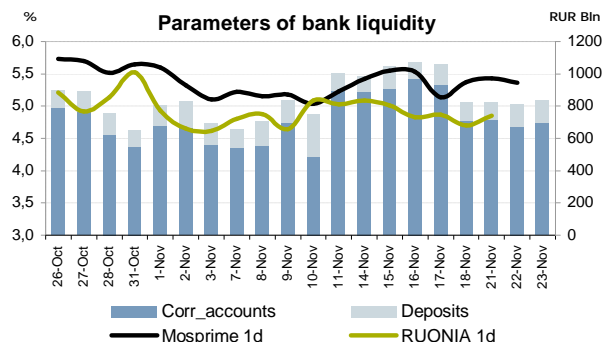
Currency Market

The RUB remained basically unchanged against the EUR and USD basket yesterday, finishing at 35.94. RUB demand is higher again as the locals sell USD to cover the end of month taxes. Meanwhile the global pressures persist – the Asia stocks fell over 2% to six week lows. The sentiment was hit even harder as the China's PMIs came out much below expectations here in the morning, showing that China's industry is contracting now. This worsens the overall global outlook for growth. Thus the oil prices, having risen to over USD 109/bbl yesterday, retreated to USD 108/bbl here in the morning. The oil is still technically well supported at USD 104/bbl now, and the US recent macro numbers suggest that there is still growth out there. Russian growth is also surprisingly positive despite all – domestic demand is booming, industry also recovered and yesterday EconMin revealed October was the best in terms of GDP growth so far this year. For the trend to persist however the tensions in the credit market should be reduced before long. But for now RUB is under the influence of the negative market sentiment – the basket rises to just above 36.00 in the first hour of the session. CBR should come in with more meaningful cumulative interventions at around 36.20, if that is reached – there is no doubt that they will defend RUB given the most recent comments. The 36.00 break is serious and today/tomorrow will show whether it is persistent and becomes support. 36.20 important resistance now (CBR scales up interventions).

Debt and Equity Markets

Russian stock market increase by 0.8% yesterday basically due to technical reasons. Positive dynamics was limited by negative US statistics. Today market opened slightly lower on poor China's PMI statistics. Internal factors play marginal role these days. Situation is unstable and market will be volatile. However 1300-1400 range will probably attracts investors as long as Russian stock fundamentals are strong given relative high oil prices.

Forwards	1m.	3m.	6m.	
USD/RUB	31,258	31,575	31,998	
EUR/RUB	42,06	42,52	43,16	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,29	0,03	6,39	3,23
MIBOR 1m (%)	6,38	0,1	6,38	3,87
RUONIA 1d (%)	4,7	-0,17		
Implied NDF yield 6m%	6,42	0,02	8,48	3,42
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	269	6	306,75	119
Eurobond Russia 30Y	4,618	-0,004	5,48	4,039
EMBI +	591,64	-0,3	603,86	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1431,13	0,43	2123,56	1217,21
Micex	1401,91	0,82	1859,99	1265,67
S&P 500	1188,04	-0,41	1363,61	1099,23
DJIA	11493,72	-0,46	12810,54	10655,30
Brent	108,18	0,90	129,43	67,20



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