

# Nordea

## Russian Markets - Daily

November 24, 2011

<b>RUB retreated</b>	USD/RUB	31.40	▲
<b>Liquidity is low but CBR keep an eye on situation</b>	EUR/RUB	42.03	▲
<b>Rates have no chance to drop</b>	RUB basket	36.19	▲

### Hot News

- Russia's largest state bank's – Sberbank's - Deputy Chairman of the Board A. Torbakhov expressed his view that the credit rates will probably increase in the coming months due to the lack of liquidity in the bank sector. /Interfax
- Russian banks will likely expand credit portfolios by 20% in 2012, said the head of banking oversight at CBR A. Simanovsky. In the first 11 months of this year the household credit grew 26%, corporate – 22%. /Finmarket
- Average corporate lending rate increased to 8.8% in October, up from 8.1% in the previous month, which is now highest rate since February and March (8.7%). /CBR
- Inflation was recorded at 0.1% w/w in the week Nov 15-21. Thus the prices already grew 0.4% since the start of November. /Rosstat
- Economy Ministry will likely revise the growth forecast for 2011 from 4.2% to 4.5% on the back of strong domestic consumption. In Q3 EconMin estimates GDP growth at 5.1% y/y. /Interfax

### Money Market

Liquidity stays at low levels. Liquidity on deposit and in correspondent accounts with the Central Bank keeps near ~800 bn. rubles. Rates are relatively stable, overnight is near CBR repo rate. Market has been convinced recently that CBR repo auctions will cover all overnight liquidity demand and finally market participants seems to calm down. However tax paying period is not over and coming taxes (~300 bn. rubles) will continue to deteriorate liquidity.

### Currency Market

The RUB retreated against the EUR and USD basket yesterday, closing at 36.09 which was 11-12 kopeck higher than the previous day's close. Putting in perspective this was not a weak result, after all. In the state of the panic on the markets yesterday all EM lost against the USD, the ultimate liquidity currency, and RUB loss of 1.5% compares well with the losses of BRL, PLN, ZAR, CZK which all depreciated over 2% yesterday, and HUF even lost over 3%. Thus RUB, typically regarded as high-beta currency, outperformed the rest. Apparently the tight domestic liquidity amidst ongoing tax period helps as corporates convert the USD revenue to RUB. In addition, Russian growth still looks like an outlier globally – domestic consumption remains the driver. Yesterday's EconMin's estimate of 5.1% growth for Q3 was higher than Rosstat's (4.8%) but in line with ours and consistent with the recent monthly data. Tomorrow a decision on interest rates is on the agenda and while some market participants expect an interest rate cut we do not see it likely – on the contrary, a depo rate hike, if anything, is a more likely risk given the CBR is worried about capital outflows and inflation. Moreover, remember Monday's comment from CBR that they expect RUB stronger toward the end of the year. Tonight the Asian markets were mixed, with some stabilization. Liquidity will be probably gone to the American shops today and tomorrow on the Thanksgiving holiday. Brent oil prices trading just around USD 107/bbl here in the morning, not too bad for RUB. The RUB basket traded around 8 kopeck higher in the first hour of the session. Expect CBR scale up interventions at 36.20.

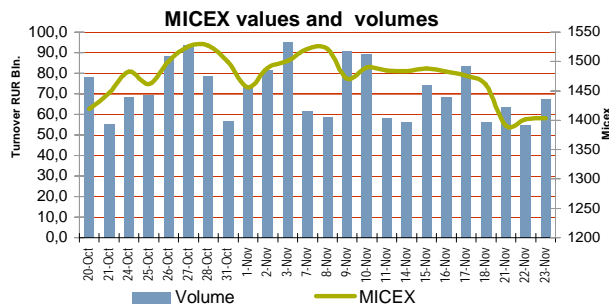
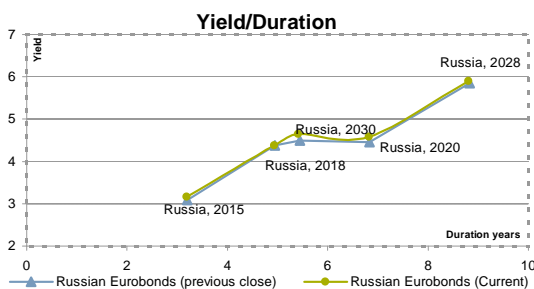
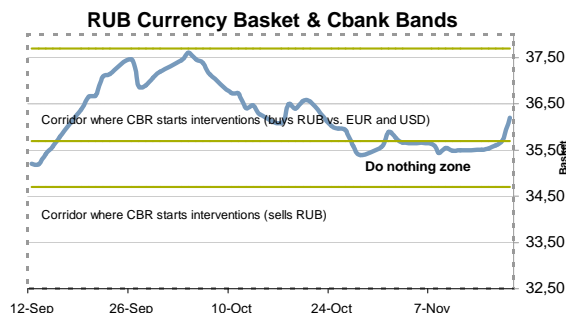
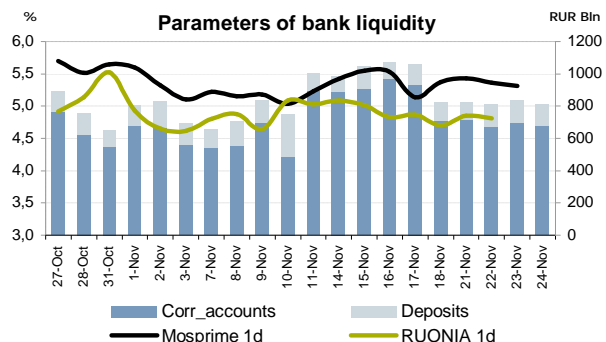
### Debt and Equity Markets

Russian stock market performs quite well, given external negative sentiment. Yesterday market was flat and today's opening was higher in spite of US market 2% slump. Situation is unstable but the Micex index range 1300-1400 will likely attract investors. Oil prices stay relatively stable which is a good basis for Russian energy stocks (half of market indices).

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Forwards	1m.	3m.	6m.	
USD/RUB	31,626	31,946	32,381	
EUR/RUB	42,218	42,5	43,001	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,29	0	6,39	3,23
MIBOR 1m (%)	6,29	-0,09	6,34	3,87
RUONIA 1d (%)	4,85	0,15		
Implied NDF yield 6m%	6,51	0,09	8,48	3,42
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	269	0	306,75	119
Eurobond Russia 30Y	4,676	0,058	5,48	4,039
EMBI +	588,57	-3,07	603,86	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1422,00	-0,64	2123,56	1217,21
Micex	1404,00	0,15	1859,99	1265,67
S&P 500	1161,79	-2,21	1363,61	1099,23
DJIA	11257,55	-2,05	12810,54	10655,30
Brent	107,57	-0,56	129,43	67,20



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