

Nordea

Russian Markets - Daily

November 25, 2011

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|-------------------------------------|------------|-------|---|
| RUB retreated further | USD/RUB | 31.60 | ▲ |
| Liquidity is deteriorating | EUR/RUB | 42.06 | ▲ |
| CBR left key rates unchanged | RUB basket | 36.31 | ▲ |

Hot News

- The Russian central bank left all its key interest rates unchanged on Friday, as expected, and said it expects liquidity strains to persist in the medium term. The refinancing rate was kept at 8.25 percent, the one-day repo rate was left at 5.25 percent. The deposit rate was unchanged at 3.75 percent. The central bank reiterated in a statement that the current level of rates ensures an adequate balance between inflationary pressures and risks to economic growth.
- Russia's central bank may put limits on operations between domestic lenders and foreign banks if they pose a danger to the liquidity of the country's financial system, said A. Vinogradov, an official at the bank's regulatory and oversight department. /Reuters
- The CBR has developed an operational stabilization plan for the case of significant deterioration of liquidity in the banking system, said S. Moiseev, head of the financial stability department.
- FinMin offered to free the banks from the obligation to return money to citizens at their request, explaining it as a means to strengthen the banking system and provide its so-called "long" money. Ministry of Finance prepared a bill that would allow banks to offer customers not only with time deposits and demand deposits, but also new - Irrevocable contributions.

Money Market

Liquidity decreased further and stays at uncomfortable levels. Liquidity on deposit and correspondent accounts with the Central Bank keeps already below 800 bn. rubles. Moreover today's huge exploration tax payments will deteriorate liquidity by pumping out more than 100 bn. rubles. Central Bank increased repo limit to RUB 600 bn. The hope that repo auctions will cover liquidity drawdown today will likely justify. CBR expected decision to keep rates unchanged did not influenced money market.

Currency Market

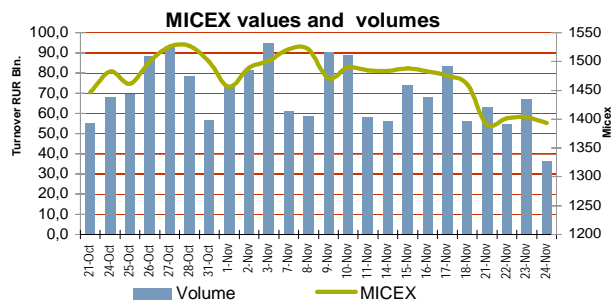
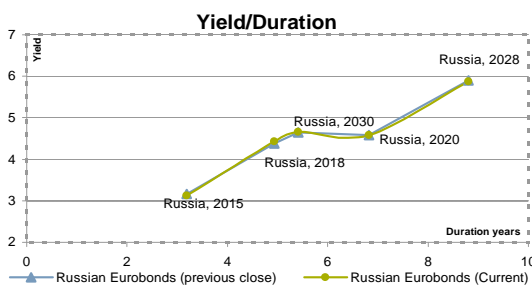
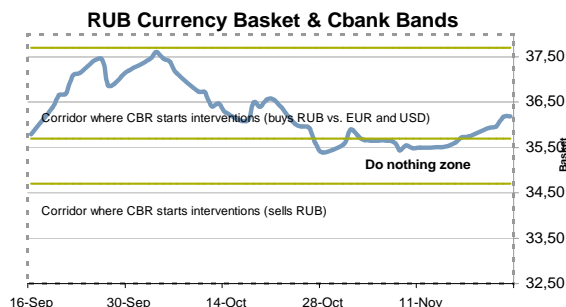
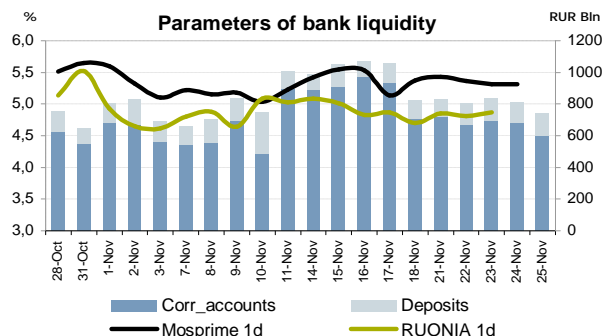
The RUB basket remained nearly unchanged yesterday, rising 2.5 kopeck for the day and closing at 36.18. The range-bound action was observed across the board yesterday, with no significant market movers and some stabilization after the sell-off the day before on some support on somewhat better German macro data. The markets were range bound more in the negative zone, with the EM FX dropping mildly against the USD. The Americans are still shopping, and nothing is on the calendar for today except for a few speeches from European politicians (can't get enough of them), so the markets may remain range bound and somewhat volatile within. The same applies to RUB. The Russian markets are awaiting the CBR rates decision here in the morning. The consensus is a "hold", some expect a cut. I do not see a chance of a cut at all. Look at the comments from CBR and FinMin yesterday – they are unhappy about foreign banks taking money away from the market. A rate cut would allow to feed capital outflows further – just cheaper! No way the Russian authorities want this. They talk on potential non-market type of restrictions on capital flows is RUB positive. If they hike rates today – it would also be RUB positive. The Brent oil prices are trading at around USD 117.60/bbl, thus broadly unchanged. The RUB basket trades around 10 kopeck higher during the first hour of the session. RUB basket technically trending up now. CBR intervenes with RUB 300 million per day extra in cumulative interventions at these levels (above 36.20) which may dampen upside somewhat.

Debt and Equity Markets

Micex index trades with some volatility around 1400. The range 1300-1400 began to attract investors and some blue chips try to increase. Oil prices stay relatively stable.

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| Forwards | 1m. | 3m. | 6m. | |
|-----------------------|----------|--------|----------|----------|
| USD/RUB | 31,571 | 31,89 | 32,321 | |
| EUR/RUB | 42,12 | 42,59 | 43,23 | |
| Money Market | Close | Change | Max 12m | Min 12m |
| MosPrime 1M (%) | 6,32 | 0,03 | 6,39 | 3,23 |
| MIBOR 1m (%) | 6,3 | 0,01 | 6,38 | 3,87 |
| RUONIA 1d (%) | 4,81 | -0,04 | | |
| Implied NDF yield 6m% | 6,43 | -0,08 | 8,48 | 3,42 |
| Debt | Close | Change | Max 12m | Min 12m |
| Russia CDS 5yr | 290 | 21 | 306,75 | 119 |
| Eurobond Russia 30Y | 4,656 | -0,02 | 5,48 | 4,039 |
| EMBI + | 588,57 | 0 | 603,86 | 542,64 |
| Stock Indexes | Close | Change | Max 12m | Min 12m |
| RTSI | 1402,83 | -1,35 | 2123,56 | 1217,21 |
| Micex | 1392,75 | -0,80 | 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 | 107,65 | 0,07 | 129,43 | 67,20 |



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