

Nordea

Russian Markets - Daily

November 28, 2011

RUB won back	USD/RUB	31.42	▼
Liquidity is low	EUR/RUB	41.74	▼
Interest rates can decrease only in December	RUB basket	36.06	▼

Hot News

- The Congress of "United Russia" by secret ballot unanimously approved the nomination of Vladimir Putin as Russian president. Mr Putin agreed to run for the post. /Interfax
- Russia's budget surplus in 2011 will amount to 0.5% of GDP, said FinMin Siluanov, further raising the forecast up from 0.4% of GDP earlier last week. The higher revenue is a result higher income on oil prices. According to Siluanov, the budget surplus of 2011 will be used to reduce borrowing in the domestic market in 2012. /Interfax

Money Market

Liquidity stays at uncomfortable levels. Liquidity on deposit and correspondent accounts with the Central Bank keeps already below 800 bn. rubles. Friday's tax payments have led to increased activity on the REPO market. Moreover today's income taxes will deteriorate ruble liquidity further. Central Bank set repo limit at RUB 500 bn today. Interest rates can decrease only in the middle of December when budget money will appear on the market.

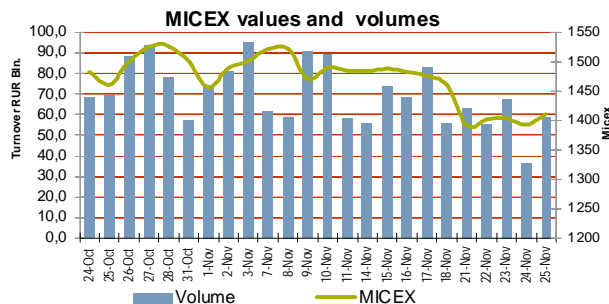
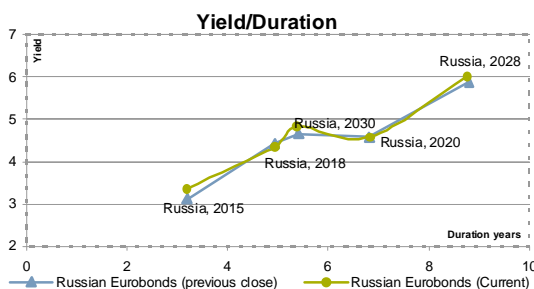
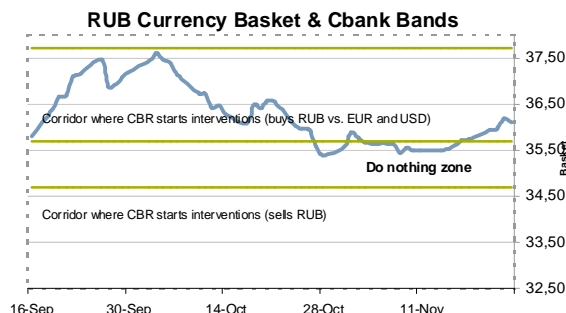
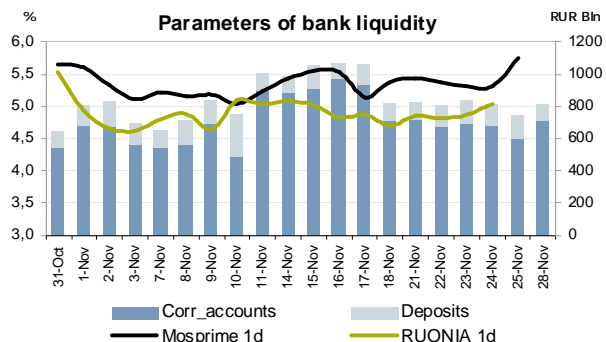
Currency Market

The RUB basket was under pressure vs EUR and USD in the first part of the day following the CBR monetary policy meeting, renewing the 1-month highs of 36.34. Yet RUB managed to reverse losses at the end of the session on FX sales locally, closing at 36.11 for the day, which was 7 kopeck lower than the previous day's close. The CBR noted in Friday's statement that RUB strengthening in October helped contain inflation. In addition, the CBR noted that the inflation deceleration effects are exhausted now. Thus, with the focus shifting to inflation again, the CBR does not want further RUB weakening. As a confirmation the day before they came out with comments on potential restrictions on capital outflows if the situation does not improve. Tonight the markets got cheered upon the rumors that IMF is preparing help package to Italy in big size. This helped pull up Asia, where equities gained 1-2% over the night. Yet now the rumors on IMF are being denied, plus Moody's again sending out warnings on now ALL European sovereigns. Thus, fundamentally the situation is unchanged. If Italian bond auction today disappoints as last Friday there is a potential for an uptick in risk aversion again. For now RUB remains supported by the overall sentiment, also Brent oil trading shy of USD 108/bbl. The RUB opens stronger vs basket, aiming at 36.00. Technically the RUB basket supported at 36.00. Expect CBR to come with bigger intervention sizes above 36.25.

Debt and Equity Markets

Micex index increased by 1.3% on Friday and today opened 1% higher. As we expected the range 1300-1400 for Micex index attracted investors. Oil prices stayed relatively stable and external background improved slightly. Rumors that IMF is preparing help package for Italy helped to pull up Asia. The major macro statistics during this week is Non-farm on Friday, and US ISM publications on Thursday.

Forwards	1m.	3m.	6m.	
USD/RUB	31,623	31,938	32,39	
EUR/RUB	42,0175	42,47	43,08	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,34	0,02	6,39	3,23
MIBOR 1m (%)	6,35	0,05	6,38	3,87
RUONIA 1d (%)	4,87	0,06		
Implied NDF yield 6m%	6,65	0,22	8,48	3,42
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	294	4	306,75	119
Eurobond Russia 30Y	4,807	0,151	5,48	4,039
EMBI +	588,57	0	603,86	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1413,18	0,74	2123,56	1217,21
Micex	1410,84	1,30	1859,99	1265,67
S&P 500	1158,67	-0,27	1363,61	1099,23
DJIA	11231,78	-0,23	12810,54	10655,30
Brent	107,76	0,10	129,43	67,20



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