

Nordea

Russian Markets - Daily

December 01, 2011

RUB showed robust increase	USD/RUB	30.86	▼
Liquidity increased	EUR/RUB	41.48	▼
Overnight rates are still high	RUB basket	35.65	▼

Hot News

- Russian manufacturing expanded at its fastest pace in six months in November, driven by a stronger rise in new business orders, the HSBC purchasing managers' index (PMI) showed on Thursday. The index's headline reading rose to 52.6, its highest since March.
- Russia does not face the threat of economic recession in coming years and will see capital inflows starting from 2013 after bleeding some \$80 billion this year, Deputy Economy Minister Andrei Klepach said on Wednesday. Klepach told the annual Adam Smith investment conference that original estimates of a 4.2 percent gross domestic product growth for 2011 are still unchanged, adding that eventually, after revising the actual data the domestic statistic service could report a 4.5 percent growth.
- Russia's consumer prices rose 0.1 percent in the week to Nov. 28, at the same pace as in the two previous weeks, bringing inflation since the start of the year to 5.7 percent, the Federal Statistics Service data showed on Wednesday. The central bank aims to keep full-year inflation at a new post-Soviet low of below 7.0.
- Russia's exports of gasoil and fuel oil fell in October month-on-month, while gasoline exports recovered after touching the lowest level in 2011 in September, Energy Ministry data showed. Russian crude runs in October rose by 2.2 percent compared to September to 4.99 million barrels per day (bpd) as seasonal maintenance edged down.
- Government officials will have to leave board of directors in telecommunication companies, such as Rostelecom and Svyazinvest, after Russia joins the World Trade Organisation, Kommersant daily says citing a source close to WTO.

Money Market

Liquidity restored slightly. Liquidity on deposit and correspondent accounts with the Central Bank reached 950 bn. rubles. The threshold of 1 trillion is considered more or less healthy. However currently banks owed a CBR more than 700 bn. Tax payments came to the end and anticipated budget money in the middle of December will likely help to avoid the reiteration of the liquidity squeeze in the end of the year. However it seems like we have entered the new reality where Central Banks' desire to target inflation will keep money market in the permanent condition of liquidity deficit next year.

Currency Market

The RUB basket decreased sharply yesterday, closed at 36.54. EUR and USD retreated versus RUB and USD finished at 30.72, EUR closed at 41.21 and reached new bottom since September. All internal factors were negligible against the news about support from major central banks. The major central banks announced measures to boost the dollar liquidity, the new swap arrangements were extended into early 2013. This effected market immediately. During several minutes basket decreased by 1%. Risk appetite increased, which supports EM currencies. RUB entered CBR do-nothing zone. Today we expect slight correction.

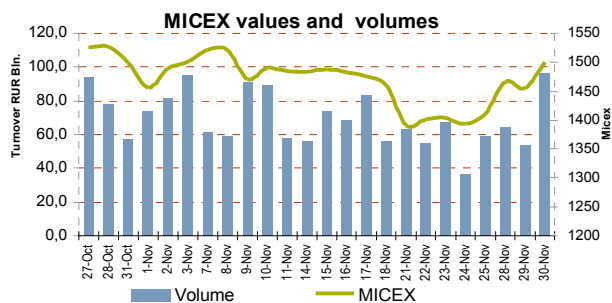
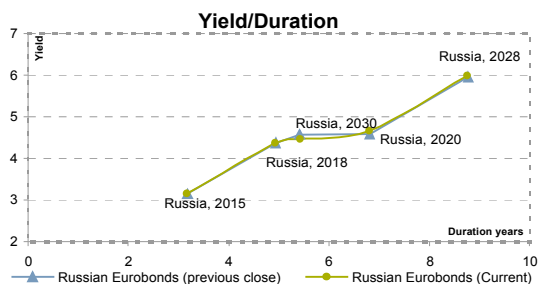
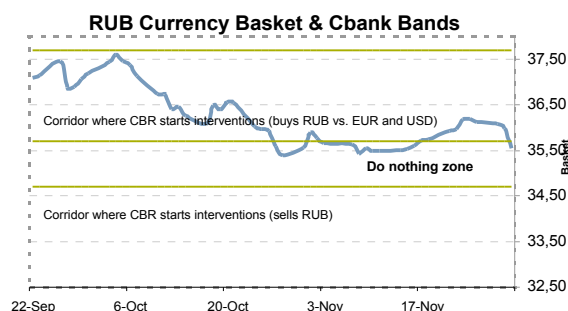
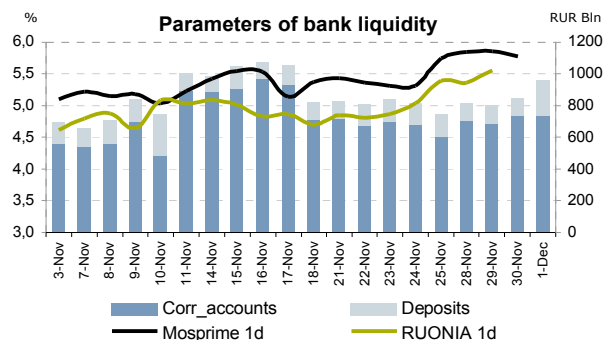
Debt and Equity Markets

Russian stock market finished Wednesday's session with robust gain. MICEX Index closed 3.1% higher, RTS Index jumped 5.1%. Risk aversion decreased after Fed and other central banks announced agreement to reduce the cost of dollar funding. In addition Central Bank of China reduced reserve requirement ratio. Today session opened even higher. MICEX Index adds about 1%. Our short-term target at 1500 for MICEX has been reached. Next target is set at 1560-1600.

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Forwards	1m.	3m.	6m.	
USD/RUB	30,883	31,117	31,542	
EUR/RUB	41,476	41,759	42,259	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,33	-0,01	6,39	3,23
MIBOR 1m (%)	6,39	0	6,39	3,87
RUONIA 1d (%)	5,36	-0,03		
Implied NDF yield 6m%	6,06	-0,12	8,48	3,42
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	242,5	-25,5	306,75	119
Eurobond Russia 30Y	4,385	-0,19	5,48	4,039
EMBI +	594,55	4,45	603,86	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1540,81	5,08	2123,56	1217,21
Micex	1499,62	3,09	1859,99	1265,67
S&P 500	1246,96	4,33	1363,61	1099,23
DJIA	12045,68	4,24	12810,54	10655,30
Brent	110,82	0,27	129,43	67,20



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