

Nordea

Russian Markets - Daily

December 06, 2011

RUB basket is stable	USD/RUB	31.15	▲
Liquidity increased slightly	EUR/RUB	41.55	▲
Interest rates are on the downward trend	RUB basket	35.84	▲

Hot News

- Federal spending in December 2011 will be about RUB 2 trillion, said Acting Finance Minister Anton Siluanov, which is twice the average monthly budget expenditure. The budget surplus will amount to 0.5%/GDP this year, he said /Interfax
- The capital outflow from Russia may exceed USD 80 or even 85bn this year, Siluanov said /Interfax
- The leader of the party Just Russia Sergei Mironov said he was willing to take part in the presidential elections in Russia if the decision is made at the party congress on December 10. So far only United Russia announced their candidate – Vladimir Putin – for the upcoming presidential elections in March 2012. Other candidates will likely be chairman of the Communist Party Gennady Zyuganov and LDPR leader Vladimir Zhirinovskiy. This will be agreed upon in the pre-election congress of Liberal Democrats and Communists to be held on 13 December and December 17, respectively /Interfax
- According to Rosstat the headline inflation in Russia fell to 6.8% y/y, down from 7.2% in previous month. In m/m terms inflation remained moderate at 0.4% m/m vs 0.5% m/m the month ago. The food price inflation, non-food product inflation and service inflation contributed broadly equally to November headline inflation /Rosstat

Money Market

Liquidity increased slightly - totaled 801 bln. Rubles on the deposits and correspondent accounts with the Central Bank. Tax payment period starts in a couple of weeks – money market is calm now. Some squeeze may be caused by MinFin deposits paying back (total volume is above 500 bln. Rub till the end of this year – 111 bln. has to be paid tomorrow). Some liquidity tightening can be pursued by the Central Bank in order to achieve long-term strategic target of 5% inflation. Also we can see budget expenditures are postponed – socially important expense items are performed, but the others are on hold. In case more budget money are released and MinFin deposits are prolonged - we won't see a usual end-of-month liquidity squeeze at the end of December.

Currency Market

The RUB basket remained nearly unchanged for a second session now, finishing at 35.70 which was just 1 kopeck higher to the previous close. Among the EM currencies RUB was an underperformer yesterday – was it due to election results? Probably not. It was rather the strength of the recently beaten CEE and LatAm currencies that gained on the optimism that the European leaders are up for delivering something later this week and on the last Friday's positive US job market report. RUB is an outlier at the moment to some extent and it is no longer a high beta currency, judged from recent daily changes. Tonight the market sentiment got sour again following the S&P comment that it's up to downgrade ALL the euro countries, including the AAA rated Germany and France. So CEE FX is underperforming again, with PLN, CZK, HUF trading 0.8%-0.9% lower vs USD to the previous close at the time of writing. RUB also opened slightly weaker with the basket rising around 10 kopeck in the first hour of the session. But with the Brent oil prices trading shy of USD 110/bbl RUB has the needed support. Yesterday's Russian inflation numbers were an argument for the doves, yet we do not expect the Russian central bank to cut the base rates any time soon – the economy is still growing robustly and the CBR likely sees the recent liquidity tightening as help to their goal to get inflation down to 5% in the coming years. Risk is off for now, and ECB meeting on Thursday as well as European leaders' meeting remains the only hope.

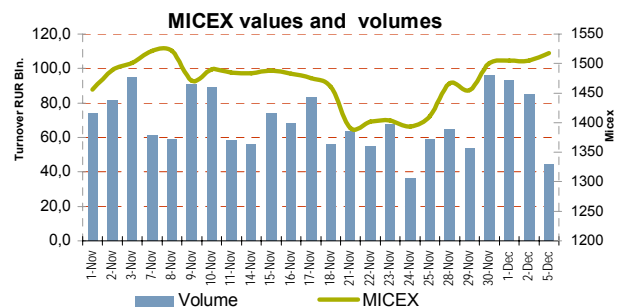
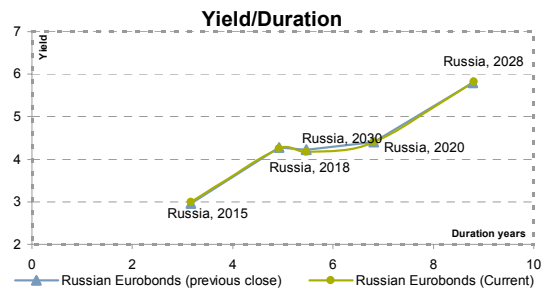
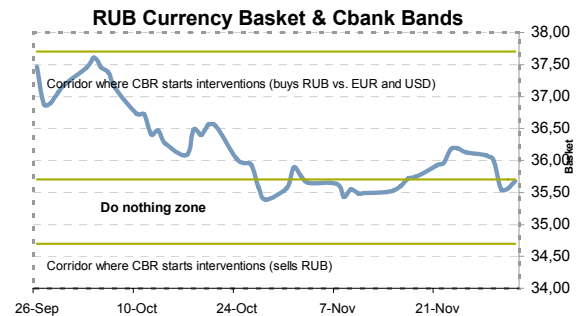
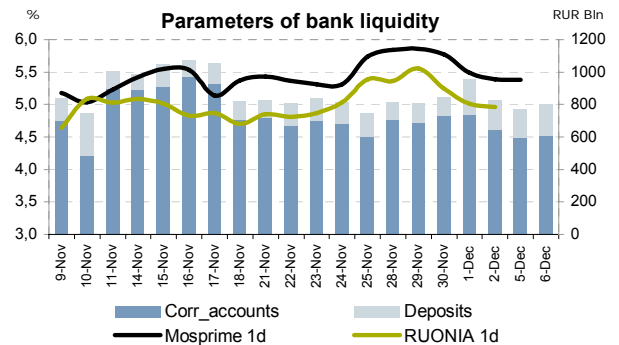
Debt and Equity Markets

The Russian equity markets opened almost 1% lower today, reflecting the situation in the Asian markets where indices lost almost 1.5% tonight. The oil prices remain high yet the S&P warning on the euro sovereign ratings increased the risk aversion. The negative sentiment may also affect the Russian bond market. Yet the somewhat better liquidity situation should hold the interest rates broadly stable today. The Russian sovereign CDS fell sharply over the past few days, down from over 300bp on November 25th to just 215bp today, and the fears of sovereign credibility in the euro are only solidify Russia's relative credit standing, which should help further reduce the sovereign credit premia and help bond prices.

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Forwards	1m.	3m.	6m.	
USD/RUB	31,048	30,783	31,191	
EUR/RUB	41,49	41,82	42,36	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,27	0,02	6,39	3,43
MIBOR 1m (%)	6,28	-0,04	6,39	3,87
RUONIA 1d (%)	5,01	-0,24		
Implied NDF yield 6m%	5,83	-0,08	8,48	3,42
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	213	-22	306,75	119
Eurobond Russia 30Y	4,144	-0,084	5,48	4,039
EMBI +	599,63	2,25	603,86	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1559,28	0,89	2123,56	1217,21
Micex	1517,89	0,80	1859,99	1265,67
S&P 500	1257,08	1,03	1363,61	1099,23
DJIA	12097,83	0,65	12810,54	10655,30
Brent	109,23	-1,10	129,43	67,20



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