

Nordea

Russian Markets - Daily

December 07, 2011

| | | | |
|---|------------|-------|---|
| RUB decreased | USD/RUB | 31.10 | ▲ |
| Ruble liquidity has stabilized | EUR/RUB | 41.79 | ▲ |
| Interest rates are flat, market is waiting for budget injections | RUB basket | 35.91 | ▲ |

Hot News

- Prime Minister Vladimir Putin said on Tuesday he would reshuffle the Russian government after a March 4 presidential election he is almost certain to win. There will of course be a significant renewal of personnel in the government," Putin told members of his ruling United Russia party. He added that there would also be changes of regional governors.
- Russia's second biggest lender VTB is expected to increase net profit to 15.9 billion roubles (\$515 million) in the third quarter of 2011, 16 percent up on the same period last year, after strong lending boosted its net interest income, a Reuters poll showed on Tuesday. State-controlled VTB, which saw net profit of 13.7 billion roubles in the third quarter last year, is to report for the first time under International Financial Reporting Standards (IFRS) after it consolidated a 81 percent stake in Bank of Moscow.
- Russia, the world's top crude producer, expects its oil export to remain flat in 2012, a deputy energy minister said on Tuesday. "We plan neither to decrease nor substantially increase the oil export despite surplus in transportation capacity," Yuri Sentyurin told reporters. "We achieved a plateau (of export) of around 250 million tonnes," he added. According to Energy Ministry data, Russia exported 242 million tonnes (4.9 million barrels per day) of crude oil in 2010.
- The RUB decreased yesterday on news about protests in Moscow

Money Market

Liquidity increased slightly and stayed near 801 bn. rubles on the deposits and correspondent accounts with the Central Bank. We don't expect any unusual interest rate fluctuations during coming weeks as long as demand for ruble liquidity is very moderate in the beginning of the month. However situation during the last decade is not clear. Market is waiting for budget money and everything will depend on whether Ministry of Finance accelerates spending or not. Previous years experience tells us that it will happen and money market won't face liquidity squeeze in the end of the year.

Currency Market

The RUB basket increased sharply yesterday on speculations and mass media hysteria concerning protests in Moscow against ruling party United Russia. Also the news that Prime Minister Vladimir Putin said he would reshuffle the Russian government induced some nervousness. Foreign investors due to lack of information decided to quit ruble assets and thus Russian currency faced pressure. During next several days protests can continue and corresponding capital outflow will continue to put a pressure on the ruble. However we think that market has overreacted and as soon as emotions calm down ruble will win back all depreciations. Fundamentally everything stays the same. Oil market supports Russian currency, Brent is trading near 111 USD per barrel which is quite positive.

Basket is trading at 35.95 during first hours on Wednesday. Ruble tries to increase versus USD trading 19 kopeks higher at 31.12. EUR is relative stable and trades near yesterday's levels at 41.82. External markets are positive and this sentiment should help Russian currency to restore.

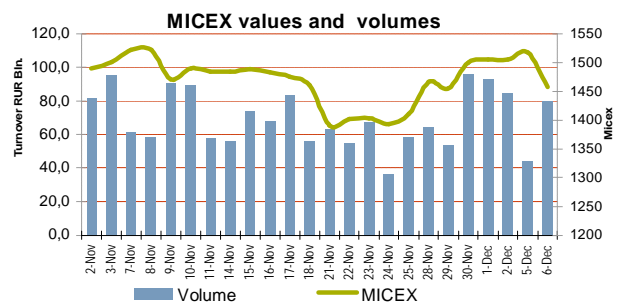
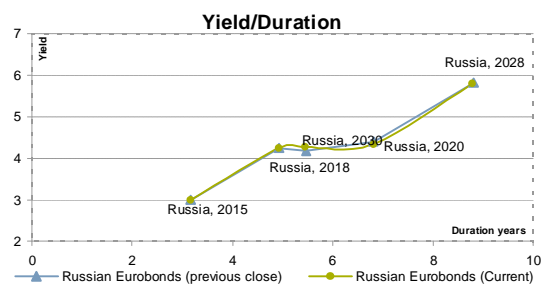
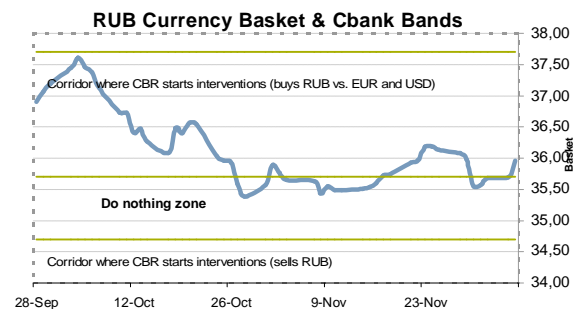
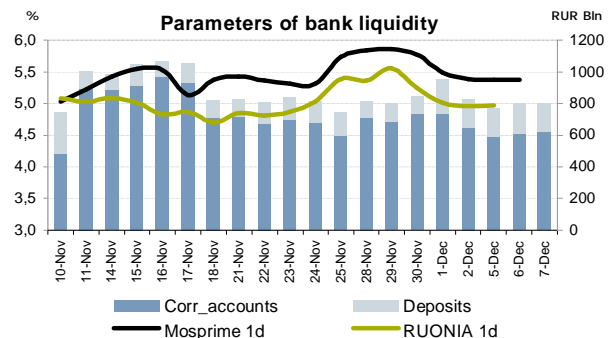
Debt and Equity Markets

The Russian equity markets slumped yesterday on speculations regarding politic stability in Russia. Protests in the centre of Moscow were the trigger for sales on the market. However market seems to overreacted and today we see stabilization on the stock market. Protests can continue but the scale is not sizable and they can not destabilize situation in Russia. Thus we expect that markets will restore. Moreover today external markets don't give any signals for further decrease.

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| Forwards | 1m. | 3m. | 6m. | |
|-----------------------|----------|--------|----------|----------|
| USD/RUB | 31,307 | 31,564 | 31,976 | |
| EUR/RUB | 42,156 | 42,439 | 42,939 | |
| Money Market | Close | Change | Max 12m | Min 12m |
| MosPrime 1M (%) | 6,27 | 0 | 6,39 | 3,43 |
| MIBOR 1m (%) | 6,29 | 0,01 | 6,39 | 3,87 |
| RUONIA 1d (%) | 4,96 | -0,05 | | |
| Implied NDF yield 6m% | 5,86 | 0,03 | 8,48 | 3,42 |
| Debt | Close | Change | Max 12m | Min 12m |
| Russia CDS 5yr | 232,5 | 19,5 | 306,75 | 119 |
| Eurobond Russia 30Y | 4,332 | 0,188 | 5,48 | 4,039 |
| EMBI + | 599,39 | -0,24 | 603,86 | 542,64 |
| Stock Indexes | Close | Change | Max 12m | Min 12m |
| RTSI | 1485,67 | -4,72 | 2123,56 | 1217,21 |
| Micex | 1457,90 | -3,95 | 1859,99 | 1265,67 |
| S&P 500 | 1258,47 | 0,11 | 1363,61 | 1099,23 |
| DJIA | 12150,13 | 0,43 | 12810,54 | 10655,30 |
| Brent | 110,76 | 1,40 | 129,43 | 67,20 |



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