

Nordea

Russian Markets - Daily

December 09, 2011

RUB is under the pressure	USD/RUB	31.59	▲
Liquidity is low, rates increase	EUR/RUB	42.03	▲
MM is waiting for budget money	RUB basket	36.29	▲

Hot News

- Russia's economic growth will likely slow to 3.5 percent in gross domestic product terms next year with risks of even slower expansions remaining due to the euro zone debt crisis, an International Monetary Fund senior official said on Thursday. The fund's 2012 growth forecast for Russia was cut in September to 4.1 percent from 4.5 percent in June. "Even if the crisis in the euro zone does not worsen, the pace of growth of the Russian economy will slow down to 3.5 percent from this year's 4.1 percent," IMF's mission chief for Russia Juha Kahkonen said during a briefing. "This outlook is subject to significant downside risks as a worsening euro area crisis could trigger a global downturn, translating into lower commodity prices and non oil exports." The government's official forecast sees Russia's GDP growing 3.7 percent next year.
- Russia's largest oil producer Rosneft has agreed a \$2 billion, five-year unsecured syndicated loan with thirteen banks, banking sources close to the deal said. Barclays Capital, UniCredit, BayernLB, Bank of America, Bank of Tokyo-Mitsubishi UFJ, Citi, Credit Suisse, Deutsche, DZ Bank, JP Morgan, Mizuho, SMBC and WestLB acted as mandated lead arrangers. The deal was self-arranged by Rosneft, with Barclays Capital acting as coordinator.
- Some 69 banks may fail to meet the new minimum capital requirement of 180 million roubles that comes into effect Jan. 1, the business daily Kommersant reports.

Money Market

Liquidity decreased insignificantly, situation is the same. Total liquidity on the deposits and correspondent accounts with the Central Bank is near 800 bn. rubles. Yesterday we saw quite high intraday interest rate volatility, overnight rates increased sharply in the middle of the session and reached 6% when market participants have realized that decreased CBR REPO limit is not enough to fund their needs. REPO limit is set at 130 bn. rubles today and this is still very low lever. Demand for ruble is unusually high for the current decade. Situation is far from comfortable, money market is waiting for budget money during next week. This hope is based on historic data that shows acceleration of budget spending during last 2 weeks of each year. However we expect overnight rates will stay within 5%-5,5% range. 3-month rates will be around 7%.

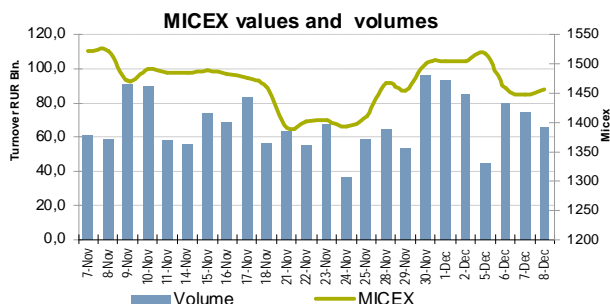
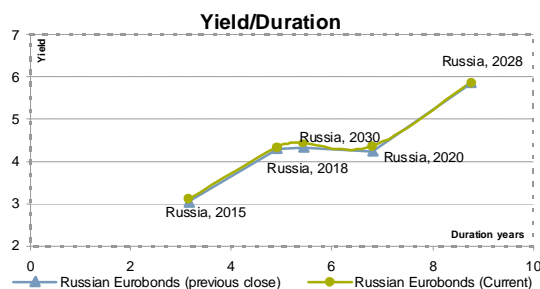
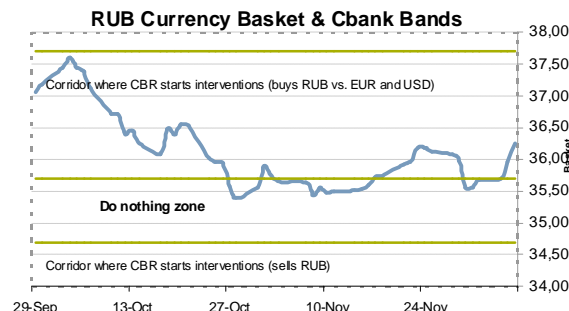
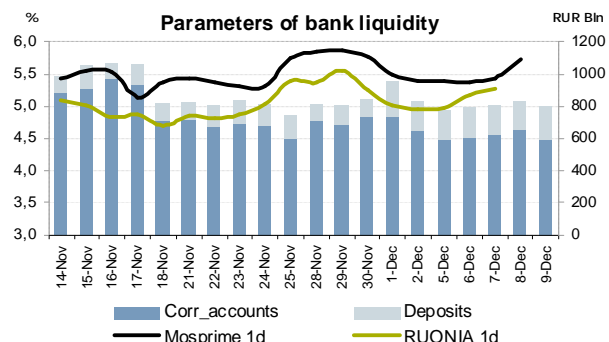
Currency Market

The RUB basket increased further as threats remained unchanged. Investors are concerned about protests in Moscow and unpredictable EU summit outcome. These factors increased risk aversion and capital outflow from Russian market. Basket finished higher 36 ruble. Central Bank intervenes slightly by selling foreign currency reserves but the volume is insignificant at current basket levels. Finally USD gained 19 kopeks versus ruble yesterday and today is trading at 31.6. EUR insignificantly decreased against ruble yesterday but today is trading higher at 42.04. External markets show negative sentiment today and everybody prepare to the new risk-on period in advance. The main focus today is the EU summit. Opposition's Sunday plans for new protests can put additional pressure on ruble.

Debt and Equity Markets

The Russian equity markets increased slightly yesterday but Today's opening was extremely negative. Commodity market declined yesterday, pushing energy stocks lower. EU summit uncertainty also can not help market to restore and the majority of investors try to stay in cash. Thus today we expect downtrend, Micex index has support at 1380.

Forwards	1m.	3m.	6m.	
USD/RUB	31,546	31,851	31,363	
EUR/RUB	41,987	42,269	42,769	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,33	0,07	6,39	3,43
MIBOR 1m (%)	6,33	0,09	6,39	3,87
RUONIA 1d (%)	5,18	0,21		
Implied NDF yield 6m%	6,47	0,305	8,48	3,42
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	249	-89	338	119
Eurobond Russia 30Y	4,583	0,175	5,48	4,039
EMBI +	598,72	-0,5	603,86	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1473,56	0,40	2123,56	1217,21
Micex	1456,36	0,55	1859,99	1265,67
S&P 500	1234,35	-2,11	1363,61	1099,23
DJIA	11997,70	-1,63	12810,54	10655,30
Brent	107,65	-1,91	129,43	67,20



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