

Nordea

Russian Markets - Daily

December 12, 2011

| | | | |
|-----------------------------|------------|-------|---|
| RUB spent awful week | USD/RUB | 31.46 | ▼ |
| Liquidity is low | EUR/RUB | 41.87 | ▼ |
| Rates reached peaks | RUB basket | 36.15 | ▼ |

Hot News

- Russian President Dmitry Medvedev said in Facebook last Saturday and Sunday, thousands protest in Moscow, St. Petersburg and other Russian cities. "I do not agree with any slogans or statements... However, I instructed to check all the messages from the polling stations on compliance with the legislation on election days," – he wrote. According to Medvedev, people have The Constitution of the Russian citizens allows freedom of speech and thus people have a right to express their position. The meetings/protests during the weekend were within the law, Medvedev said. /Interfax
- Former Finance Minister Alexei Kudrin said he is ready to participate in creating a new center-right party which would consolidate liberal and democratic forces. Kudrin said that he is already in contact with the former leader of the "Right Cause" Mikhail Prokhorov. The ex-finance minister also said that in the near future he does not intend to work in public administration due to the disagreement on economic policy. /Interfax

Money Market

Liquidity decreased, tension is growing. Total liquidity on the deposits and correspondent accounts with the Central Bank is lower critical level of 800 bn. rubles. Demand on REPO auctions is high, limit is not enough to satisfy increased demand. Overnight rates rose higher 6%. Today Central Bank took into account current problems and increased REPO limit to 260 bn. rubles. Tax payments start on this week but we expect budget spending can offset the lack of liquidity. Situation is far from comfortable, but historically budget money appeared on the market during second decade of December.

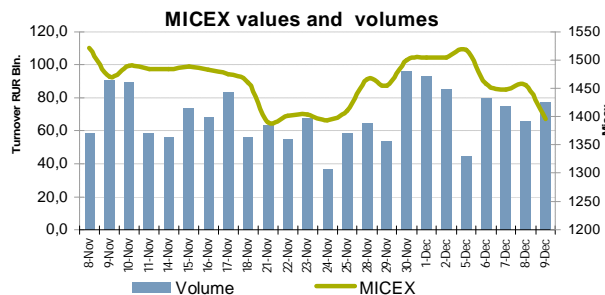
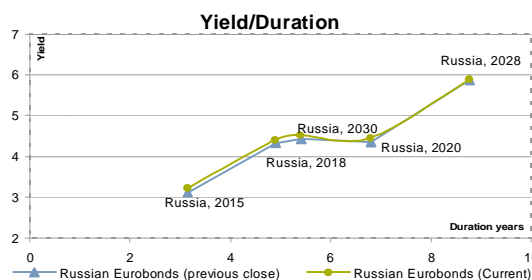
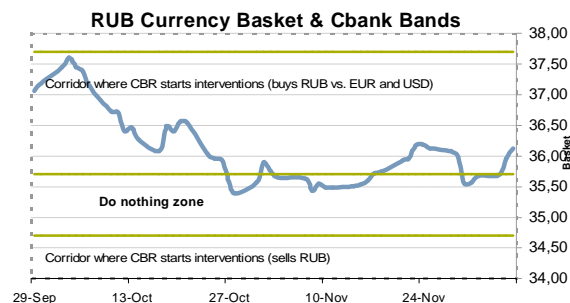
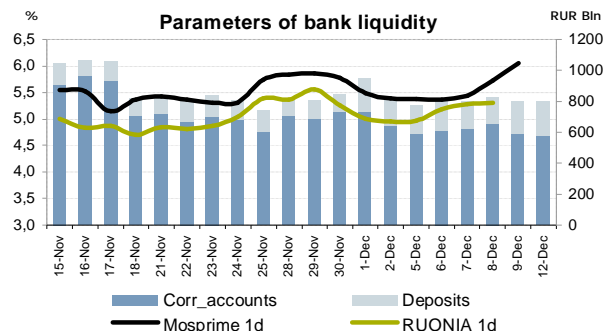
Currency Market

The RUB weakened vs EUR and USD for the seventh day in a row on Friday, the basket finished 12 kopeck higher and closed at 36.20 for the day on Friday, in line with other EM currencies. The basket rose to the 1.5-month highs reaching 36.33 during the session. Yet another meeting of European leaders failed to offer any lasting consolation to the markets – agreement on stricter fiscal rules per se does not solve the current disbalances. The Asian stocks gained somewhat tonight, but the just over 1% gain on MSCIXJapan hardly compensates the nearly 3% fall on Friday. So overall trend remains negative and market participants with fear await this week's round of auctions (Italian, Portuguese, Spanish) in Europe. The Brent oil price remains comfortably high, however, trading at USD 118.15/bbl here in the morning, thus supporting RUB – the basket opened stronger, falling to 36.10 in the first hour of the session, thus for now RUB is outperforming the EM counterparts. There is some uncertainty over the domestic politics – the western media forces are in unison creating the fear over the situation in Russia (check out the cover of The Economist, for example). We do not see the situation as bad as it is portrayed (demonstrations are rampant these days not only in Russia), but it clearly does not help either. The RUB basket established the upper level of the range on Friday, which is now at around 36.35. The support remains at 36.00, with 35.40 as the next stop on the downside.

Debt and Equity Markets

The Russian equity markets continued to suffer from political factors and anticipation of meeting on Saturday forced investors to sell stocks. However rally finished without accidents and this result can help investors to revise attitude to the political risks. Thus today we expect rebound on the Russian stock market. Micex has support at 1380-1400. Asian stocks gained tonight, meeting of European leaders have not brought any confidence and market will continue to discount European news.

| Forwards | 1m. | 3m. | 6m. | | |
|-----------------------|----------|--------|----------|----------|--|
| USD/RUB | 0,15 | 31,938 | 0,9 | | |
| EUR/RUB | 42,23 | 42,64 | 43,26 | | |
| Money Market | Close | Change | Max 12m | Min 12m | |
| MosPrime 1M (%) | 6,61 | 0,28 | 6,61 | 3,43 | |
| MIBOR 1m (%) | 6,38 | 0,05 | 6,39 | 3,87 | |
| RUONIA 1d (%) | 5,28 | 0,1 | | | |
| Implied NDF yield 6m% | 6,37 | -0,1 | 8,48 | 3,42 | |
| Debt | Close | Change | Max 12m | Min 12m | |
| Russia CDS 5yr | 249 | 0 | 338 | 119 | |
| Eurobond Russia 30Y | 4,583 | 0 | 5,48 | 4,039 | |
| EMBI + | 599,32 | 0,6 | 603,86 | 542,64 | |
| Stock Indexes | Close | Change | Max 12m | Min 12m | |
| RTSI | 1410,28 | -4,29 | 2123,56 | 1217,21 | |
| Micex | 1396,28 | -4,13 | 1859,99 | 1265,67 | |
| S&P 500 | 1255,19 | 1,69 | 1363,61 | 1099,23 | |
| DJIA | 12184,26 | 1,55 | 12810,54 | 10655,30 | |
| Brent | 108,22 | 0,53 | 129,43 | 67,20 | |



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