

Nordea

Russian Markets - Daily

December 13, 2011

RUB has reached support?	USD/RUB	31.65	▲
Liquidity is low	EUR/RUB	41.75	▼
CBR offers money via REPO	RUB basket	36.19	

Hot News

- The CBR Deputy Chairman Shvestov said that the CBR of Russia is satisfied with the money markets functioning at the moment and the situation on Russia's money markets is "calm, normal", noting that RUONIA stays within CBR's interest rate corridor. He also said that banks have "substantial" cash reserves for 2012. /Bloomberg
- Russia's federal budget posted cash deficit of RUR 79.6bn in November or 1.6% of GDP, the FinMin announced. The cumulative budget surplus declined to 2.3% of GDP in Jan-Nov from 2.8% in Jan-Oct.
- The Ministry of Economic Development reduced the inflation forecast for 2011 to 6.2-6.5 percent and expects 5-6% inflation in 2012. /Interfax

Money Market

Liquidity increased slightly but still market is waiting for the budget money. Total liquidity on the deposits and correspondent accounts with the Central Bank is slightly above 800 bn. rubles. Demand on REPO auctions is higher than supply. Yesterday Central Bank increased daily REPO limit to 260 bn. rubles but every kopek was lent on the auction. Today Central Bank again increased overnight REPO limit to 320 bn. rubles and 1-week REPO limit to 830 bn. Thus Today we expect money market to calm down. Tax payments start on this week but we expect budget spending will accelerate during coming few days.

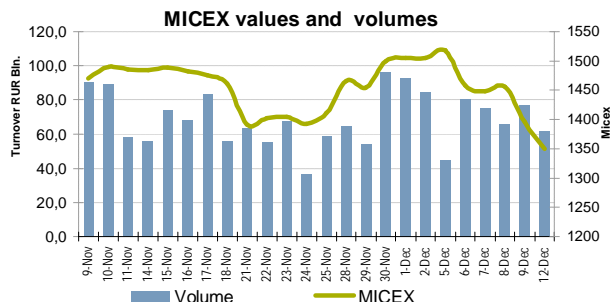
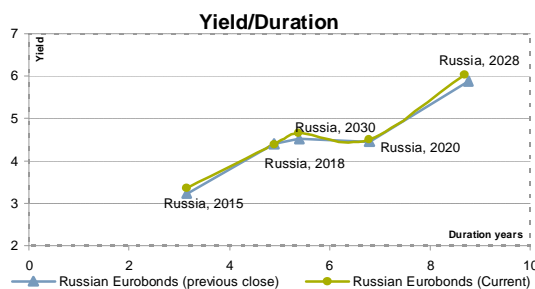
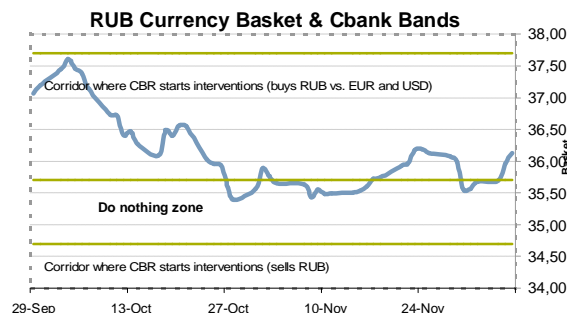
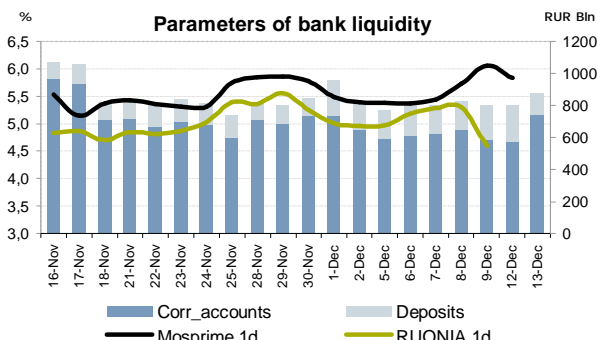
Currency Market

The RUB finally managed to close stronger vs the EUR and USD basket, finishing at 36.175 yesterday which was 2.5 kopecks below the previous close. The nervousness over the political situation calmed somewhat after the incidentless weekend demonstrations. Now the stories in the local news circulate about the PRO Putin and Medvedev demonstrators out in the streets, so they do have the support of Russians. On top of that the Russian oligarch M. Prokhorov announcing an intention to run for presidential post, which is positive. On the global markets the moods are still gloomy: Moody's again spoils the party going out with the comment on potential euro area rating reviews early next year; Fitch out with the reduction in global growth forecast for the coming years. The Asian equities traded in the red over the night, losing over 1% and the same applies to Asian EM currencies like INR and MYR. The only hope for today is Fed sounding more upbeat about the US economy after tonight's FOMC decision, which could also help oil. The Brent oil is keeping relatively stable at around USD 107.3/bbl. The RUB basket opens strong at around yesterday's levels and is apparently helped by CBR's Shvestov's positive comments this morning – he says the CBR is satisfied with the money market functioning and liquidity situation, which means do not expect interest rate cuts – positive for RUB. Technically the RUB is still stuck in the range having established resistance at around 36.35. This are the levels around which the CBR scales up interventions switching to cumulative ones, so it's not coincidental. On the downside support at 36.00 then 35.40.

Debt and Equity Markets

The Russian equity markets continued to slump and showed 3% decline yesterday as threat of credit rating downgrades in Europe became new trigger for the markets. Today market opened 1% higher as Micex index has reached oversold zone. Long-term trend line lies at 1300.

Forwards	1m.	3m.	6m.		
USD/RUB	31,624	31,918	32,366		
EUR/RUB	41,755	42,153	42,773		
Money Market	Close	Change	Max 12m	Min 12m	
MosPrime 1M (%)	6,58	-0,03	6,61	3,43	
MIBOR 1m (%)	6,38	0	6,39	3,87	
RUONIA 1d (%)	5,3	0,02			
Implied NDF yield 6m%	6,26	-0,11	8,48	3,42	
Debt	Close	Change	Max 12m	Min 12m	
Russia CDS 5yr	249	0	338	119	
Eurobond Russia 30Y	4,801	0,218	5,48	4,039	
EMBI +	598,15	-1,17	603,86	542,64	
Stock Indexes	Close	Change	Max 12m	Min 12m	
RTSI	1363,67	-3,31	2123,56	1217,21	
Micex	1349,96	-3,32	1859,99	1265,67	
S&P 500	1236,47	-1,49	1363,61	1099,23	
DJIA	12021,39	-1,34	12810,54	10655,30	
Brent	107,31	-0,84	129,43	67,20	



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