

Nordea

Russian Markets - Daily

December 14, 2011

RUB gained slightly	USD/RUB	31.76	▲
Liquidity increased	EUR/RUB	41.37	▼
CBR pumped in trillion rubles	RUB basket	36.10	▼

Hot News

- Russia will pick three to four banks by year-end to organize a sovereign Eurobond issue, slated for early 2012, a senior finance ministry official said on Tuesday, in a move analysts see as forced by the country's rising political uncertainty.
- The government is planning \$7 billion in annual external borrowing until 2014, chiefly to cover the budget deficit.
- The chairman of Evraz, Russia's biggest steelmaker, believes a merger with No.2 player Severstal would be a "good idea", a proposal analysts said was unlikely because major shareholders would not want to surrender control.
- Russia's current money market rates are at appropriate levels and weekly repo auctions could become the central bank's main refinancing instrument in future, deputy central bank chairman Sergei Shvetsov said on Tuesday. "The RUONIA rate does not show that (money market) rates are out of a targetted band, which the central bank considers appropriate. That is why the central bank is satisfied with how the money market operates," Shvetsov told a conference. "The central bank supplies banks with liquidity in amounts necessary for a normal functioning of the system," Shvetsov said.

Money Market

Liquidity increased thanks to Central Bank's effort. Overnight rates stay at previous levels. Total liquidity on the deposits and correspondent accounts with the Central Bank is slightly above 967 bn. rubles. Demand on REPO auctions was high. Yesterday Central Bank gave about 1 trillion rubles via REPO mechanism. Moreover Ministry of Finance placed 140 bn. rubles on deposits in commercial banks. These measures helped Money Market to stabilize.

Currency Market

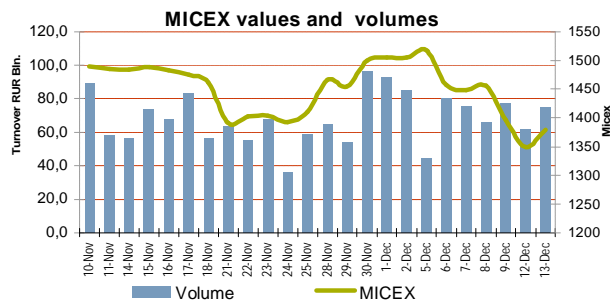
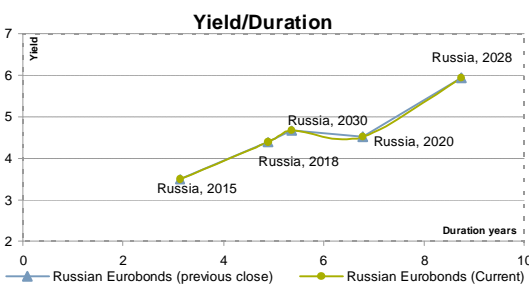
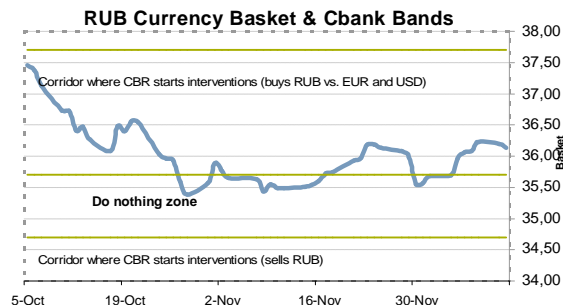
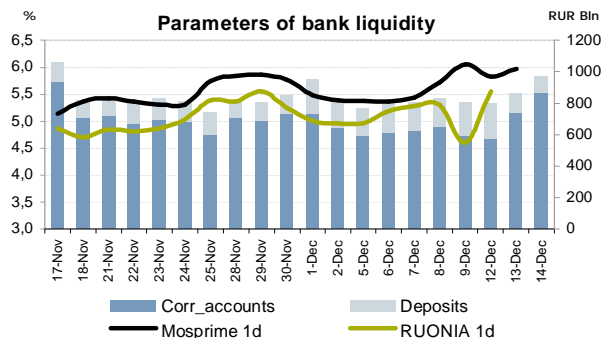
The RUB closed higher versus EUR and lower versus USD yesterday. Basket finished at 36.12 yesterday which again was several kopecks below the previous close. Concerns about political instability in Russia are fading away which can help ruble to restore. Exporters will probably begin to sell USD revenue during coming few days which is also ruble-supportive. Tax paying period starts today and exporters will be forced to accelerate ruble purchases till the end of the month.

The Brent oil is relatively stable at around USD 109/bbl. The RUB basket opened lower today but support at 36.00 is the major impediment for the ruble growth. Central bank's intervention are not sizable, the pace of interventions remains the same as in November when CBR sold 1.4 bn. US dollars.

Debt and Equity Markets

MICEX Index ended with 2.3% gains on Tuesday. Positive sentiment was due to growth in Europe on successful T-bill auctions in Spain. Today the opening was negative but some investors have begun to enter long position and at this moment market has already reached positive territory. We don't expect any strong trends till the end of the year. Russian market can stay more or less flat.

Forwards	1m.	3m.	6m.	
USD/RUB	31,844	32,116	32,554	
EUR/RUB	41,534	41,914	42,522	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,62	0,04	6,62	3,43
MIBOR 1m (%)	6,38	0	6,39	3,87
RUONIA 1d (%)	4,6	-0,7		
Implied NDF yield 6m%	6,17	-0,09	8,48	3,42
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	265,5	16,5	338	119
Eurobond Russia 30Y	4,72	-0,081	5,48	4,039
EMBI +	599,62	1,47	603,86	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1387,13	1,72	2123,56	1217,21
Micex	1378,56	2,12	1859,99	1265,67
S&P 500	1225,73	-0,87	1363,61	1099,23
DJIA	11954,94	-0,55	12810,54	10655,30
Brent	109,13	1,70	129,43	67,20



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