

# Nordea

## Russian Markets - Daily

December 15, 2011

<b>RUB managed to strengthen</b>	USD/RUB	31.85
<b>Liquidity increased</b>	EUR/RUB	41.43
<b>CBR and MinFin can change their mechanisms</b>	RUB basket	36.17

### Hot News

- Russia's international reserves decreased by 1.1bn in the week to December 9th, down to USD 513bn. /CBR
- According to the CBR survey (65 biggest Russian banks surveyed) the growth of the credit availability has slowed down in Q4. The credit conditions eased only for households, the conditions for small businesses remained nearly unchanged, and the conditions for corporates have tightened. Still, no substantial changes in Q4 either from demand or supply side are expected by banks. /CBR
- Russian inflation rose 0.1% in the week from 6 to 12 December. Thus CPI already picked up 0.2% since the beginning of the month and 5.9% since the start of the year. /Rosstat
- Russia may see a budget surplus this year of between 0.8 percent and 1.0 percent of gross domestic product (GDP), the Central Bank First Deputy Chairman Alexei Ulyukayev said on Thursday.
- Russia saw \$74 billion in capital outflows in the first 11 months of the year, Central Bank First Deputy Chairman Alexei Ulyukayev said on Thursday.
- Ulyukayev also said that the central bank is satisfied with current inflation trend and that its monetary policy still provides an adequate balance between inflationary risks and risks to economic growth. He added, however, that risks to economic growth are rising.
- Russia's gold and foreign exchange reserves fell to \$513.0 billion in the week to Dec. 9 from \$514.1 billion a week earlier, central bank data showed on Thursday.

### Money Market

Liquidity continued to increase. Overnight rates stay roughly on previous levels. Total liquidity on the deposits and correspondent accounts with the Central Bank has almost reached 1 trillion rubles. Demand on REPO auctions remains high and today 1-day REPO limit is 140 bn. rubles. In fact Central Bank shifted emphasis to 1-week REPO and it seems like this is permanent change. Central bank will probably lend the bigger part of liquidity via 1-week auctions and 1-day repo will just help to cover unpredictable demand during the week.

Next year Ministry of Finance can announce new instrument – free budget money will be placed in banks through deposition auctions using collateral mechanism. It will be similar to REPO and the main purpose is to widen the list of banks which will have an access to this liquidity. Thus we expect more fair and uniform liquidity distribution.

### Currency Market

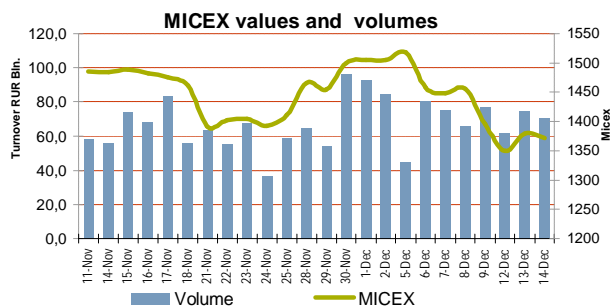
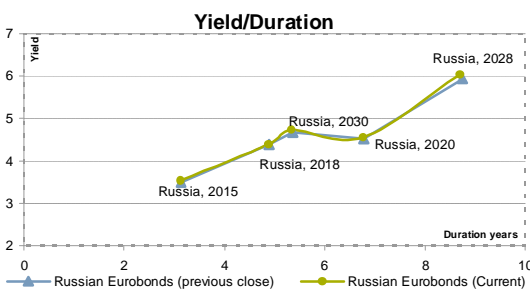
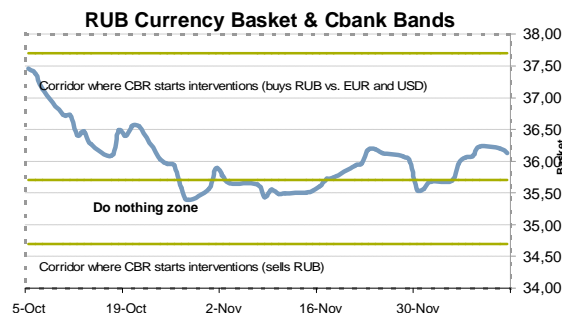
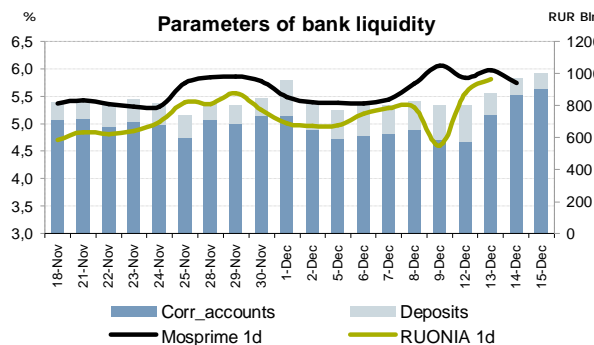
The RUB managed to strengthen against the EUR and USD basket yesterday, gaining 5 kopecks for the day and finishing at 36.10, with the gains concentrated on the EUR leg against which RUB gained nearly 40 kopeck. The political situation, at least the wave of negative comments, seems to have receded for now. The China's PMIs tonight showed improvement from last month, which at least implies the world is not crashing – China remains one of the few engines. This is crucially important for oil prices which still remain above the USD 100/bbl. Oil prices dropped yesterday on OPEC agreeing to raise their output but recovered to USD 106/bbl here in the morning. The 100 remains the psychological mark for RUB, as the budget is based on it. The morning comments from CBR are RUB supportive – Ulyukayev says the CBR is happy with the liquidity situation, calling it "normal". This implies no policy easing – on the contrary, if the capital outflows escalate they will be more inclined to raise the depo rates. The CBR will not be feeding the capital outflows with cheap money – that's for sure. In this respect with higher rates RUB becomes a more attractive currency in carry terms alone. RUB basket opens lower, still catching up on the yesterday's oil price retreat and the Asian equities in -1% tonight, trading at 36.20 here in the morning. US Empire and Philly Fed is today's hope for positive risk sentiment, while the Spanish bond auctions is a key risk. The RUB basket still resisting the 36.35, supported at 36.00, then 35.40. Now trading toppish of the range.

### Debt and Equity Markets

Russian stock market was volatile yesterday and visited green territory, then showed slight minus and finished more or less flat. Oil market disappointed yesterday but as a matter of fact it was OPEC who increased quotas. Brent prices fell to 106 USD/bbl. Internal factors like political situation in Russia are fading away, but today Vladimir Putin revive this theme as he will take part in conference and finally will end the silence on protests. Russian market will watch carefully this conference-marathon. Today market opened slightly lower on negative sentiment on US and Asia markets.

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Forwards	1m.	3m.	6m.		
USD/RUB	31,972	32,258	32,733		
EUR/RUB	41,547	41,829	42,33		
Money Market	Close	Change	Max 12m	Min 12m	
MosPrime 1M (%)	6,68	0,06	6,68	3,43	
MIBOR 1m (%)	6,47	0,09	6,47	3,87	
RUONIA 1d (%)	5,56	0,96			
Implied NDF yield 6m%	6,16	-0,01	8,48	3,42	
Debt	Close	Change	Max 12m	Min 12m	
Russia CDS 5yr	265	-0,5	338	119	
Eurobond Russia 30Y	4,838	0,118	5,48	4,039	
EMBI +	598,13	-1,49	603,86	542,64	
Stock Indexes	Close	Change	Max 12m	Min 12m	
RTSI	1369,65	-1,26	2123,56	1217,21	
Micex	1372,42	-0,45	1859,99	1265,67	
S&P 500	1211,82	-1,13	1363,61	1099,23	
DJIA	11823,48	-1,10	12810,54	10655,30	
Brent	106,16	-2,72	129,43	67,20	



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