

Nordea

Russian Markets - Daily

December 16, 2011

RUB was flat	USD/RUB	31.85
Liquidity increased further	EUR/RUB	41.43
Rates can stabilize lower	RUB basket	36.17

Hot News

- Prime Minister Vladimir Putin said that Former Finance Minister Alexei Kudrin (who resigned in September because of disagreements with President Dmitry Medvedev) will be in demand and will find his place in government. Meanwhile Kudrin himself said that the main condition for him to comeback is reforms, including the balancing of the budget system including the pension system. /Interfax
- Russian Prime Minister Vladimir Putin said he will withdraw from the country's leadership as soon as he starts to feel losing the public support. /Interfax
- Industrial production grew 3.9% y/y in November, up from 3.6% y/y in October. /Rosstat
- Russia is committed to giving at least 10 billion dollars through the International Monetary Fund to support Europe's efforts to stave off financial crisis, a Russian presidential aide said on Thursday.
- 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.
- Russia's producer price index rose 1.6 percent month-on-month in November after rising 1.7 percent in October, the Federal Statistics Service data showed on Thursday.
- Russia's crude oil export duty will be decreased from Jan. 1 by 2 percent to \$397.5 per tonne from \$406.6 in December due to lower crude prices, finance ministry data and Reuters calculations showed on Thursday.

Money Market

Liquidity is increasing. Overnight rates declined. Total liquidity on the deposits and correspondent accounts with the Central Bank crossed 1 trillion rubles which is already quite comfortable level. However market should remember that banks owe Central Bank ~800 bn. rubles that should be rolled over on the next week.

Budget spending acceleration is on its way to money market and we expect that the end of the year will be more or less calm period of time. Interest rates can decrease slightly. However in the beginning of the next year tight liquidity will again become a new reality. CBR inflation targeting leaves no chance to see ample liquidity in the coming future.

Currency Market

RUB remained nearly unchanged yesterday, the basket closed just 2.5 kopecks higher at 36.125. Still, RUB was an underperformer among the EM yesterday, which is not surprising in light of the 4-5% drop in oil prices the day before on OPEC decision. The front month Brent prices traded at 104.22/bbl here in the morning – still high levels, but closer to 100 the risks for RUB rise. The perception of growing risks also reflected in the Russian credit spreads – 5Y CDS picked up 60bp during the past 10 days. The risk sentiment globally is current neutral to positive following yesterday's good US data, which is crucially important for oil prices as well. EUR/USD stuck at around 1,3000 and no relative macro news in sight today – just talk. RUB basket opens marginally higher but trends down to 36.08 again at the time of writing, so overall the RUB has held strong in the past few days despite the oil price developments. Yesterday's PM Putin's speech was an attempt to calm the markets, as he hinted that the highly regarded former Finance Minister is welcome on board again. It would be good news for the Russian markets, including the RUB. Technically same picture, resistance at 36.35, support at 36.00, then 35.40.

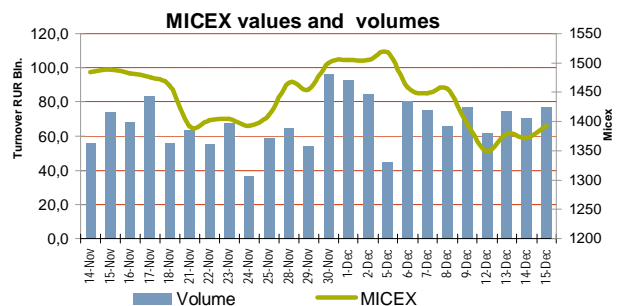
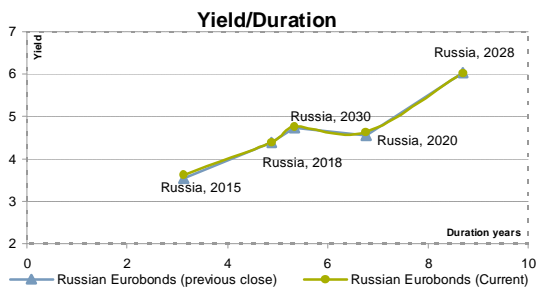
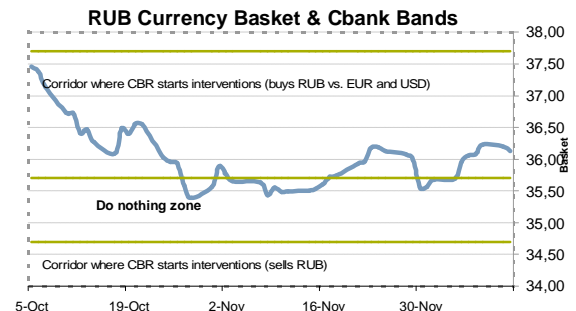
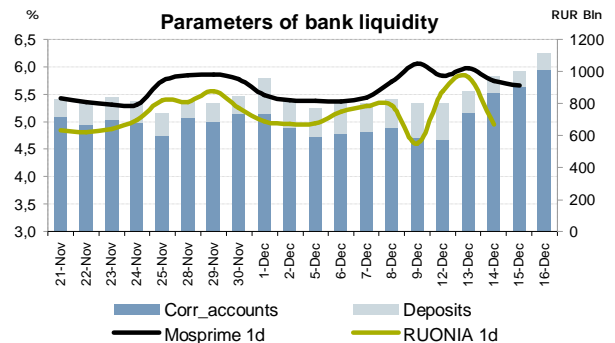
Debt and Equity Markets

Russian stock market was volatile yesterday but finally showed growth after prime minister Putin's press-conference. Today relative positive sentiment on external markets helped Russian stocks to open higher, but market is trading at red zone after two hours since the beginning of session. Brent prices trade at \$104/bbl which is not very supportive for the Russian market.

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Forwards	1m.	3m.	6m.	
USD/RUB	31,83	32,118	32,579	
EUR/RUB	41,502	41,905	42,537	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,72	0,04	6,72	3,43
MIBOR 1m (%)	6,49	0,02	6,49	3,87
RUONIA 1d (%)	5,81	0,25		
Implied NDF yield 6m%	6,275	0,115	8,48	3,42
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	273	8	338	119
Eurobond Russia 30Y	4,816	-0,022	5,48	4,039
EMBI +	598,29	0,16	603,86	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1395,28	1,87	2123,56	1217,21
Micex	1393,61	1,54	1859,99	1265,67
S&P 500	1215,75	0,32	1363,61	1099,23
DJIA	11868,81	0,38	12810,54	10655,30
Brent	104,38	-1,68	129,43	67,20



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