

# Nordea

## Russian Markets - Daily

December 19, 2011

<b>RUB retreated</b>	USD/RUB	32.03	▲
<b>Liquidity is high due to CBR and budget injections</b>	EUR/RUB	41.65	▲
<b>Short rates decreased</b>	RUB basket	36.36	▲

### Hot News

- President Medvedev signed a decree appointing A. Siluanov for finance minister. Siluanov has been also acting finance minister since the dismissal of Kudrin in late September. /Interfax
- WTO members officially approved Russia's membership during a ministerial meeting in Geneva on Friday. Within the next six months Russia has to ratify the accession and 30 days following that it will officially become a member. /Interfax
- According to former Finance Minister Kudrin accession to the WTO will raise Russia's GDP growth with 3-4% over the next 10 years, approximately 0.4% per year, which is a "serious increase", said Kudrin. He added that with the accession to the WTO "Russia is beginning to play by the rules that are set in the world, and this means that we have a clear direction for our entire foreign policy of the country." /Interfax
- Mikhail Prokhorov, who is now candidate in the coming presidential elections, said he is ready to appoint the ex-Finance Minister Kudrin as the Prime Minister in case he wins the elections. /NTV

### Money Market

Liquidity is quite comfortable. Overnight rates declined slightly. Total liquidity on the deposits and correspondent accounts with the Central Bank is above 1 trillion rubles which is quite comfortable level. It seems that budget money finally have reached Money Market. Thus interest rates decreased. But tax payments will offset this happiness during this week. More than 400 bn. rubles will be pumped out till the end of the month through tax payments. Budget spending and Central Bank's REPO operations will help market to deal with this problems. Today CBR will decrease 1-day REPO limit to 40 bn. rubles, and also will offer 60 bn. 3-month money.

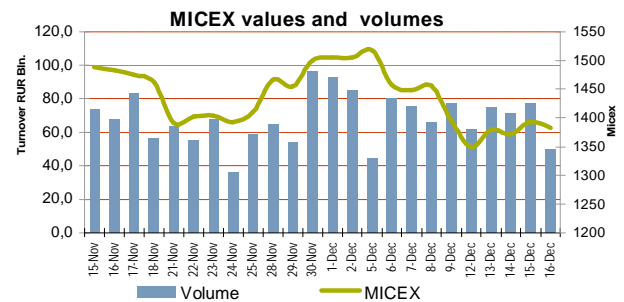
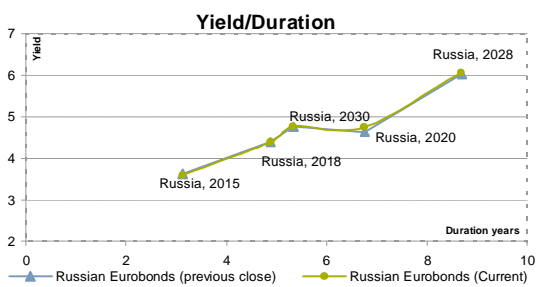
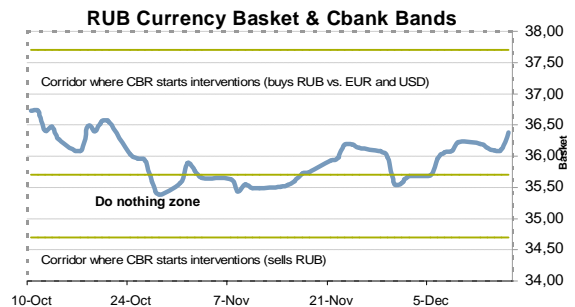
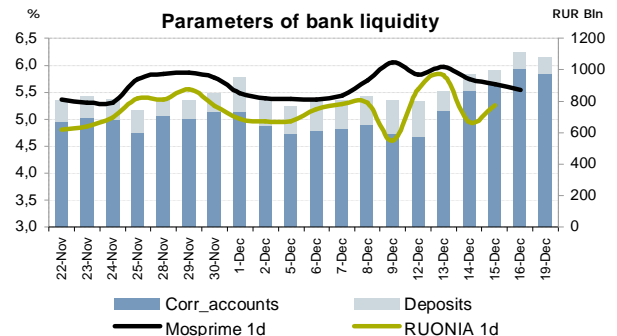
### Currency Market

The RUB basket rose to 1,5 month highs on Friday, closing at 36.37. Today it opened and traded around the same levels in the first hour of the trade. The recent RUB fall has been provoked by the retreat in oil prices following OPEC's decision to raise quotas last week – this morning the front month Brent is trading at USD 102.50/bbl, which is still comfortable for RUB but becomes less so as the 100 approaches. The general market mood is not RUB-friendly, as the Asian stocks dropped over 1% as the risk aversion increased on the news of North Korea's leader's death. The commodity currencies are under pressure, with AUD at -0.7% vs USD tonight, so no wonder RUB is also weakened vs. USD. No big news to move the markets today expect for European finance ministers' telco in the afternoon, but the holiday week and markets getting thinner – could result in some jagged moves. RUB will likely be pressured vs. USD most, as thinner liquidity makes the USD more attractive toward the year-end. That said, the current over-positioning in EUR short positions, according to Friday's IMM data, may cause some short coverings with EUR/USD spikes in the coming weeks. In that respect RUB basket (55% USD and 45% EUR) is protected, but separate legs may be volatile. The Central Bank of Russia is at current levels intervening with cumulative interventions over USD 300m/day, which should support RUB. Moreover, the CBR have just came out with the message that they limit the liquidity provision via repos – they draw back as the fiscal spending has already spilled over to higher liquidity in the recent few days. The fact that they want tighter liquidity is RUB-positive. Technically RUB stuck at the resistance level of 36.35, further upside capped for now, support at 36.00.

### Debt and Equity Markets

Russian stock market continued to decline in the end of the week. Today opening was also negative given poor dynamics in Asia. Commodity market retreated further on global growth concern. Rating uncertainty in Europe plays against market. The uncertainty was boosted by the news that the North Korean leader Kim Jong-il had died. Trader's activity will probably start to decline due to coming holidays. Flat dynamics is the most expectable.

Forwards	1m.	3m.	6m.	
USD/RUB	32,206	32,498	32,943	
EUR/RUB	41,9019	42,2992	42,9286	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,71	-0,01	6,72	3,43
MIBOR 1m (%)	6,46	-0,03	6,49	3,87
RUONIA 1d (%)	4,95	-0,86		
Implied NDF yield 6m%	6,22	-0,055	8,48	3,42
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	273	0	338	119
Eurobond Russia 30Y	4,836	0,02	5,48	4,039
EMBI +	597,97	-0,32	603,86	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1373,73	-1,54	2123,56	1217,21
Micex	1383,42	-0,73	1859,99	1265,67
S&P 500	1219,66	0,32	1363,61	1099,23
DJIA	11866,39	-0,02	12810,54	10655,30
Brent	102,59	-1,71	129,43	67,20



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