

# Nordea

## Russian Markets - Daily

December 20, 2011

<b>RUB retreated further</b>	USD/RUB	32.09	▲
<b>Liquidity stays high</b>	EUR/RUB	41.75	▲
<b>Short rates were stable, can increase slightly</b>	RUB basket	36.44	▲

### Hot News

- Yesterday PM Putin instructed government to cooperate with law enforcement authorities within two months to check all the companies with state participation for the presence of corrupt schemes and links to offshore companies. In particular, the Prime Minister asked the Ministry of Energy, Ministry of Economic Development and other institutions to inspect companies such as Gazprom, Transneft, Railways, SCF, Vnesheconombank, Vneshtorgbank, Rosatom, Sberbank. It's time to stop "offshore jurisdiction" of the companies working in Russia, said Putin. /Interfax
- Fitch confirmed Russia's sovereign rating at BBB. Fitch noted that due to the large surplus of foreign trade Russia is an exporter of capital. So, this year, the excess of exports over imports in the Russian economy will reach 82bn of USD, or 4.5% of GDP. /Interfax
- Moody's placed on review for downgrade ratings Rosbank, Rusfinance bank and the bank "DeltaCredit" within the group Societe Generale. According to the report the agency, the action is performed after the deterioration of the ratings of the French bank. /Interfax
- The presidential candidate, Prokhorov, yesterday gave an interview to NTV where he expressed his view Putin will lead the country into an economic catastrophe sooner rather than later. Prokhorov criticized the government's spending plans, warning that a sharp drop in oil prices would lead to a budget dilemma. /Interfax

### Money Market

Liquidity helped overnight rates to stabilize, but today is tough day. Total liquidity on the deposits and correspondent accounts with the Central Bank is above 1 trillion rubles. Budget money is pumping into the market which supports liquidity in spite of big tax payments. Today VAT will deteriorate liquidity but Central bank will try to help market by providing REPO auctions. 1-day auction limit was set at 50 bn. rubles, 1-week limit was set at 570 bn. 1-day repo rate was 6.08%, which is relative high.

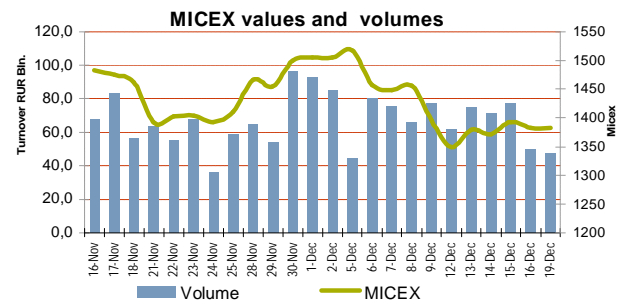
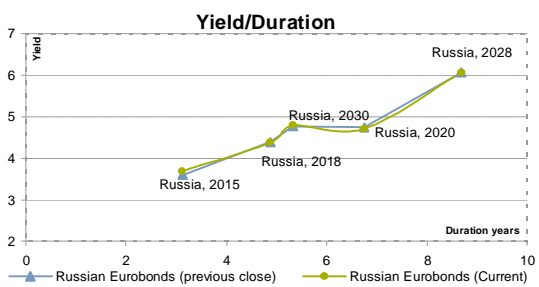
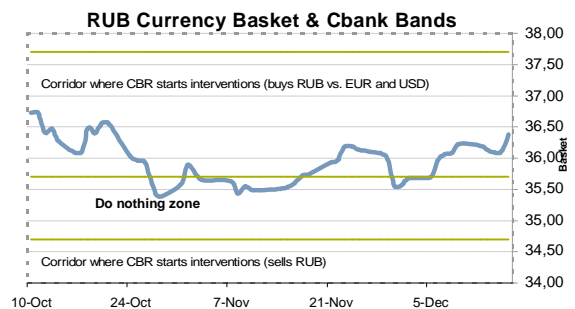
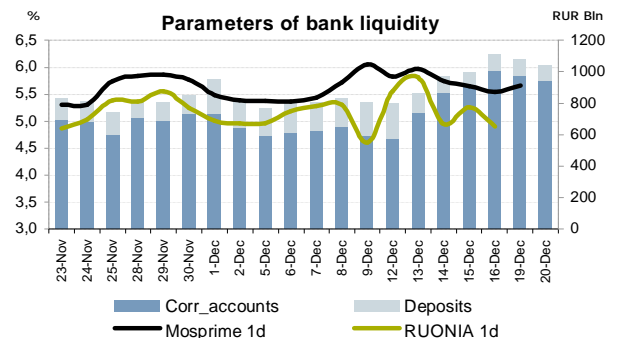
### Currency Market

RUB didn't resist the negative marked moods yesterday, but still held relatively stable – the RUB basket picked up just 3.5 kopeck, closing at 36.41. The Brent oil is trading at USD 104.22/bbl, so higher than the yesterday's lows of 102.37, which provides some support to the RUB – it opened a few kopeck below yesterday's close, but still remains at above the important 36.35 level. The overall market sentiment has turned more positive here in the morning after the falls in the US market and range-bound action on the Asian bourses. Today's crucial data point is the German IFO – come there a negative surprise, the oil prices may get another hit, adjusting to the economic reality. This, in turn, may affect RUB negatively. On a more positive note, the Central Bank of Russia restricted the limits on liquidity provision yesterday, as the fiscal spending has begun to fill the banks' vaults. Still, the demand for yesterday's CBR repo by 3.6 and 2.5 times in the morning and evening sessions, respectively, implying that the CBR is consciously willing to keep the liquidity tighter. One of the aims is to ward of the capital outflows, which is RUB positive. Putin yesterday gave another RUB-positive comment, ordering to inspect the large state companies on potential capital outflow schemes to offshore. If executed, this could help prevent some of the massive capital outflows observed from Russia in the past years, of which the Russian companies were the key culprits. Technically important day today – the RUB basket broke the 36.35 yesterday and it may switch from resistance to support if sustained for the day. Otherwise 36.00 is the next serious support. The next resistance at 36.50.

### Debt and Equity Markets

Russian stock market was flat yesterday. Trade volume began to decrease in anticipation of holidays. Trader's activity will probably continue to decline further. Putin's yesterday comment about inspection of state companies on potential capital outflow schemes to offshore put some pressure on certain companies, but this effect was temporal. We do not expect sizable moves till the end of the year.

Forwards	1m.	3m.	6m.	
USD/RUB	32,23	32,525	32,978	
EUR/RUB	41,868	42,151	42,651	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,74	0,03	6,74	3,43
MIBOR 1m (%)	6,43	-0,03	6,49	3,87
RUONIA 1d (%)	5,26	0,31		
Implied NDF yield 6m%	6,21	-0,01	8,48	3,42
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	265	-8	338	119
Eurobond Russia 30Y	4,795	-0,041	5,48	4,039
EMBI +	598,11	0,14	603,86	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1370,11	-0,26	2123,56	1217,21
Micex	1382,88	-0,04	1859,99	1265,67
S&P 500	1205,35	-1,17	1363,61	1099,23
DJIA	11766,26	-0,84	12810,54	10655,30
Brent	104,28	1,65	129,43	67,20



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