

RUB surged	USD/RUB	31.50	▼
O/N rates increased slightly on tax payments	EUR/RUB	41.19	▼
Liquidity is stable	RUB basket	35.85	▼

Hot News

- Russian consumer prices rose 0.1 percent in the week to Dec. 19, retaining the same pace as in five preceding weeks and bringing inflation since the start of the year to 6.0 percent, the Federal Statistics Service data showed on Wednesday. The central bank aims to keep full-year inflation at a new post-Soviet low below 7.0 percent.
- Russian Prime Minister Vladimir Putin called for sweeping tax reforms to spur investment-led growth on Wednesday and promised to keep the rouble stable without imposing capital controls. Putin, seeking to return to the Kremlin at a presidential election next March, said he would seek to restore growth rates to the boom-era levels of the past decade while weaning Russia off its dependency on the price of its main export, oil. "We have set a goal to propel the mechanism of economic growth to 6 percent minimum, but it would be better if it is 6-7 percent," Putin told a congress of Russia's small- and medium-sized business lobby, Delovaya Rossiya.
- Russia's top lender Sberbank could delay a planned 7.6 percent stake sale until after Russia's March presidential poll if political risks continue to deter investors from purchasing Russian shares. "We will wait for markets to stabilise, and then we will take a decision about the possible price," Sberbank chief executive German Gref told journalists on Wednesday. Sberbank had planned to sell the 7.6 percent stake in September but postponed this after banking shares slumped on global markets.
- Vedomosti says that Rosneft overtook ExxonMobil as the world's largest producer of crude oil in the first nine months of the year.
- Italian carmaker Fiat will sign an agreement to build a major new car plant in St Petersburg during the first quarter of 2012, a local government official said on Wednesday, as it steps up its investment in the fast-growing emerging market.
- Today resident Dmitry Medvedev makes an address to parliament
- Prime Minister Vladimir Putin is scheduled to discuss targeted government aid programmes at a regular session of the government

Money Market

Liquidity is stable but rates are increasing on high demand due to current tax payments. Total liquidity on the deposits and correspondent accounts with the Central Bank is above 1 trillion rubles. Central bank pumped in ~500 bn. rubles via REPO in the beginning of the week. Today regulator set 1-day REPO limit at 50 bn. Budget money help liquidity to stay at relative healthy levels. Rates will stay elevated till the end of tax paying period. In the beginning of 2012 we expect liquidity at high levels but big tranche to Reserve Fund in January will likely deteriorate liquidity and the end of the month can be quite difficult time for Money Market.

Currency Market

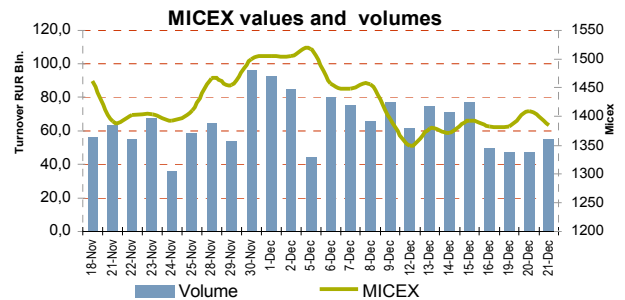
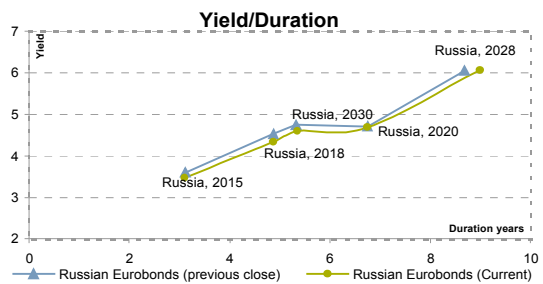
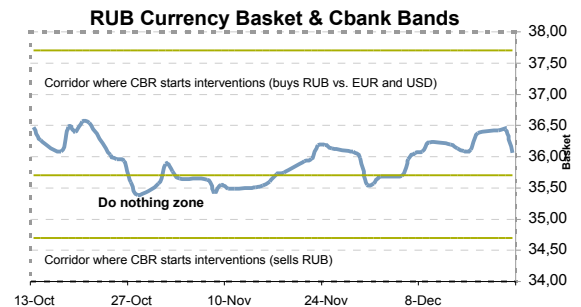
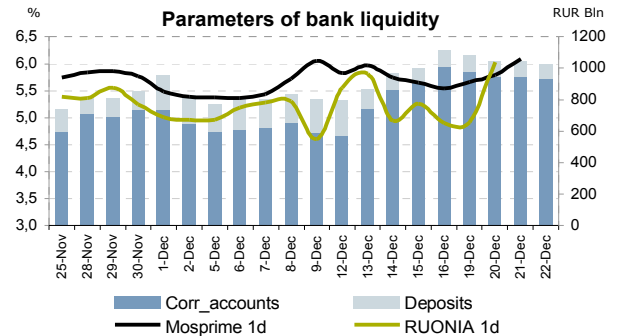
Ruble surged yesterday. Currency basket decreased by more than 30 kopecks yesterday, USD lost 22 kopecks, EUR - 43 kopecks. Exporters accelerated RUB purchases due to tax payment. Extraction tax will be paid on Friday and energy and other commodity-sector companies sell accumulated USD-nominated revenue pushing USD lower. Coming Christmas Holidays decreased non-resident activity on the Russian currency market and thus weakened foreign participants can't offset resident's currency selling.

Today ruble basket opened significantly lower, USD and EUR are under the severe pressure. RUB won back almost 80 kopecks during last few sessions. Relative stable external background also supports Russian currency. The ECB allotted EUR 489bn to 523 banks yesterday which is quite strong supporting factor. Oil market follows positive sentiment and Brent trades higher 108 USD/bbl.

Debt and Equity Markets

Russian stock market decreased by 1.78% yesterday on very low volumes. Huge liquidity injection from the ECB helped and can continue to support markets during coming few days. Today US GDP statistics is the major focus for the markets. However trading activity can begin to decrease and we do not expect rally in stocks.

Forwards	1m.	3m.	6m.	
USD/RUB	31,876	32,162	32,6	
EUR/RUB	41,591	42,0094	42,6286	
Money Market	Close	Change	Max 12m	Min 12m
MosPrime 1M (%)	6,83	0,04	6,83	3,43
MIBOR 1m (%)	6,65	0,16	6,65	3,87
RUONIA 1d (%)	4,92	0,01		
Implied NDF yield 6m%	6,13	-0,16	8,48	3,42
Debt	Close	Change	Max 12m	Min 12m
Russia CDS 5yr	273	0	338	119
Eurobond Russia 30Y	4,67	-0,063	5,48	4,039
EMBI +	600,04	0,94	603,86	542,64
Stock Indexes	Close	Change	Max 12m	Min 12m
RTSI	1382,50	-0,95	2123,56	1217,21
Micex	1384,79	-1,78	1859,99	1265,67
S&P 500	1243,72	0,19	1363,61	1099,23
DJIA	12107,74	0,03	12810,54	10655,30
Brent	107,50	0,21	129,43	67,20



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