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FUND MANAGEMENT

Weekly report

8 December 2014

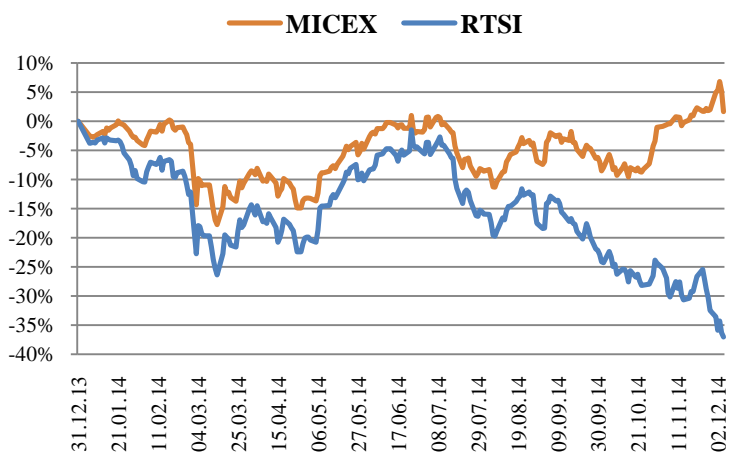


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	Last	Change	YTD
MICEX	1529.2	↓ -0.29%	↑ 1.67%
RTSI	908.75	↓ -6.73%	↓ -37.01%
S&P 500	2075.37	↑ 0.38%	↑ 12.28%
DJIA	17958.79	↑ 0.73%	↑ 8.34%
Nasdaq Comp.	4780.755	↓ -0.23%	↑ 14.47%
DAX	10087.12	↑ 1.06%	↑ 5.60%
FTSE 100	6742.84	↑ 0.30%	↓ -0.09%
CAC 40	4419.48	↑ 0.67%	↑ 2.88%
Nikkei 225	17920.45	↑ 2.64%	↑ 10.00%
Hang Seng	24002.64	↑ 0.06%	↑ 2.99%

	Last	Change	YTD
EUR/USD	1.2283	↓ -1.36%	↓ -10.92%
EUR/RUB	64.9068	↑ 5.49%	↑ 43.30%
USD/RUB	52.8918	↑ 6.92%	↑ 60.91%
USD/JPY	121.46	↑ 2.39%	↑ 15.39%

	Last	Change	YTD
Light Sweet	65.84	↓ -0.47%	↓ -33.10%
Brent	69.07	↓ -1.54%	↓ -37.66%
Gold	1190.1	↑ 1.27%	↓ -1.01%
Silver	16.196	↑ 4.56%	↓ -16.25%
Platinum	1219.5	↑ 0.68%	↓ -11.06%
Wheat	609	↑ 5.50%	↑ 0.62%
Corn	381.5	↑ 1.53%	↓ -9.60%
Sugar	15.14	↓ -2.89%	↓ -7.74%
Coffee	179.1	↓ -4.05%	↑ 61.79%

Top news

- ECB is close to implementing a range of stimulating policies (page 3)
- Moody's downgraded Japan's sovereign rating (page 3)
- Russian GDP is expected to contract 0.8% (page 3)
- Vladimir Putin signed the law concerning moratorium to transfer funds to private pension funds (page 3)
- Mechel stocks crashed (page 4)
- Sollers in cooperation with Ford Motor launched production (page 4)
- RUB had lost 6.92% against USD (page 4)
- Saudi Arabia will discuss a drop in the production only if the members will strictly follow the current quota (page 4)
- CBR is to keep interventions on (page 5)



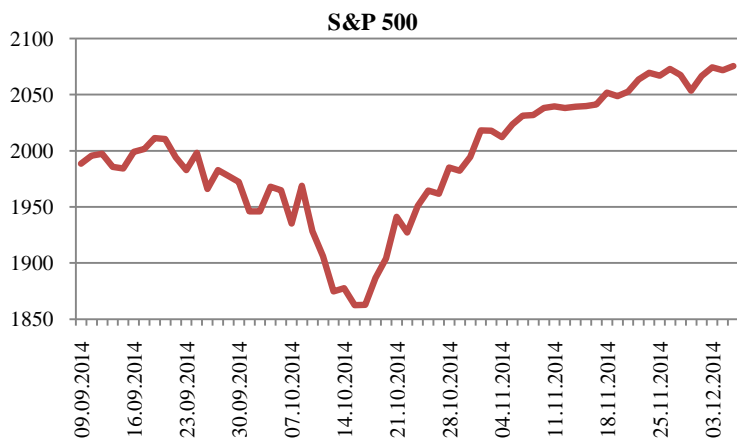
WEEKLY WRAP UP

World.

Most of the global markets posted marginal gains over the first week of the last month of the year. The key event was the ECB meeting on Thursday. Following the results of the meeting it was stated that the ECB is close to implementing a range of stimulating policies that will fight the inflation, unemployment and will boost economic growth. It's expected to be released till a January or February meeting. In addition ECB president Mario Draghi said that bonds will be the primary instrument of the policy.

Moody's downgraded Japan's sovereign rating on the political controversy on economic issues. Prime-minister called an early election on 14th of December. This will cast light on new tax amendments popularity. The US November unemployment data was released. Non-farm payrolls was up 321 000 beating the expected value by more than 100 000. That's the best result over the last three years. Moreover the October statistics was revised upwards. The unemployment rate remained the same 5.8%.

Interim post-Thanksgiving retail sales were mixed. On the one hand traffic decreased 7%, on the other hand according to the IBM sales went up 9.5%. The most substantial contribution was made by auto sales that increased 10% year-on-year. That's the best number from 2003. Generally there was a clear migration to online.



Russia.

Russian stock market crashed last week and closed on the 5 year low. Last Monday's CBR official RUBUSD exchange rate was set 5% higher than previous Friday. Gazprom chairman declared the irrevocable termination of the South Stream project. The Ministry of economic development sharply decreased its estimates for the next year GDP and RUB exchange rate: GDP is expected to contract 0.8%, prospective Urals average for the year is down from 100\$ to 80\$, RUB target revised to 49. Last Thursday President Putin speech was in the centre of the overall attention but it failed to provide any healthy economic initiatives. Moreover the government statement on tightening currency controls in regards of mandatory sale of exports proceeds was another negative factor.

President Vladimir Putin signed the law concerning moratorium to transfer funds to private pension funds. The Ministry of Finance doubted Min.economics' forecasts. According to Ministry of the Economy inflation will be next year a bit less than 7%, capital outflow 60-80 bl. \$ and at 80\$ per barrel RUBUSD will be below 45. Under Markit research ordered by HSBS it was noted that Russian service sector undergone through a rapid decline in this November. PMI Index that reflects business activity decreased to 44.5 from 47.4 in October. Sberbank chairman German Gref said that Russia is facing problems with financing not only from the west but from the east either. Weekly inflation was flat over the last 3 weeks, year-to-day prices have risen 8.5% generally due to consumer products inflation. Gazprom will suggest EU to finance pipelines to import Russian gas after 2020.





WEEKLY WRAP UP

Corporate news.

Over the last week metal and oil sectors stood out while telecommunication companies were the outsiders: MTS (-11.35%) crashed on possible restitution of the dividends paid by Bashneft to Sistema (-30.09%) that may trigger change of the control over MTS. Among liquid stories we highlight Nornickel (+11.69%); the company attracted 40 bln. RUB line of credit from Sberbank. Acron posted 9m 2014 IFRS net income of 9.7 bln. RUB, revenues grew 2%, EBITDA 19%. The general driver of the VTB (+9.21%) was the prospective capital injection by the government. Sollers (+3.64%) in cooperation with Ford Motor launched production on the renovated 115 000 auto/year capacity Naberezhnie-Chelny plant and started to assemble a new Ford EcoSport model. Moreover the Ministry of Industry and Trade prolonged the term of the old vehicles utilization program and provided additional 10 bl. RUB of grants. 12 bl. \$ of the Utair's property was arrested after its Alfabank credit delinquency. The company have a hard times being sued in more than 20 arbitrage cases for over 700 mln. RUB. Once again Mechel stocks crashed (-12.17%) on the court decision to collect 3 bl. RUB from the company. TMK(-11.53%) is planning a secondary offer at 101.25 RUB a share, in order to start the company initiated a board meeting. Rosneft (-5.04%) slipped on the Ministry Cabinet decision to place company's stocks below 2006 IPO price. But in light of the RUB depreciation the price in local currency should be up 60% this makes the placement rather problematic.

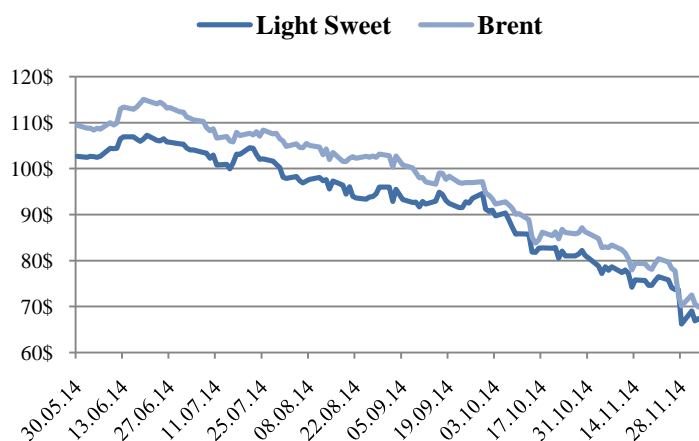
Forex.

In the early part of the week European currency depreciated due to expectations of the ECB adding stimulus on weak production and consumer price statistics. Italian Parliament approved labor market reform aimed to cope with surging over 13% unemployment. Unemployment among youth is more than 40%. However in its Thursday speech Mario Draghi said that he will make a decision to provide a stimulus only in the next year. As a result EURUSD retreated to 1.24. In spite of the positive German production orders data EURUSD stepped to 1.23.

RUB had lost 6.92% against USD over the last week. The CBR spent more than 4 bln. \$ supporting RUB but nonetheless the currency rate renewed all time lows once again. The CBR announced that current currency trend is dangerous to the overall financial stability. In order to manage foreign currency shortage the regulator cut minimum currency REPO rates to LIBOR+0.5%. Following this Mosprime overnight rate eased to 9.77% but liquidity issues are still present.

Oil.

Oil retreated to the October 2009 lows at 69\$ per Brent barrel last week. The prime driver was the lingering effects of the OPEC meeting. Saudi Arabia stated that it will discuss a drop in the production only if the members will strictly follow the current quota and the Cartel won't lose a market share. According to the Reuters estimates during November the OPEC had decreased the production by 340 000 barrels. It's mainly due to the drop in Libya production: because of the upheaval it plunged 150 000 barrels a day. Owing to falling oil price there was a 30% decrease in new shale deposits exploration contracts. Companies received 4520 drilling permissions against 7227 previous month.



THIS WEEK

CBR is to keep interventions on.

This Monday at 12-00 MICEX Index adds 1% on 1.6% RUB depreciation against USD and 1.2% against EUR. In spite of the ruble losing 7% vs. USD over the last week the CBR spent more than 4 bl. \$ to support national currency. Today we expect further regulator's interventions in order to keep the basket below 60 level.

On Monday the final 3Q Japan GDP estimate was released. The drop amounted 1.9%, while the street was expecting only a 0.5% decline. Following this data the Yen retreated 1.5% against USD. According to preliminary data tomorrow on December 9 there may be other cease-fire talks between Kiev and Donetsk representatives.

On Thursday the CBR will hold its next meeting planned to discuss current situations and to determine rate policy. According to current bond prices the market expects a hike; the rate is now 9.5%. Other important information coming out this week includes China CPI, Germany, France and China trade balance and November US and China retail sales.

Earnings Calendar

Date	Company
10.12	Costco Wholesale Corporation
11.12	Adobe Systems Inc.

Economic Calendar

Date	Country	Statistic	For	Importance	Market Expects	Prior
8.12	Japan	GDP - final	3Q	B	-1,9%*	-1,6%
8.12	Germany	Industrial production	Oct	A	+0,8%*	-0,1%
8.12	China	Trade balance	Nov	A	+\$54,5 b*	+\$45,4 b
9.12	Germany	Trade balance	Oct	A	18,9 b euro	21,9 b euro
9.12	France	Trade balance	Oct	B	-4,5 b euro	-4,7 b euro
10.12	China	Consumer prices	Nov	B	+1,6%	+1,6%
10.12	France	Industrial production	Oct	B	+0,1%	-0,3%
11.12	Russia	CRB interest rate	-	A	-	9,5%
11.12	Russia	GDP – second est	3Q	B	+0,7%	+0,7%
11.12	US	Initial claims	6.12	B	295,000	297,000
11.12	US	Retail sales / ex auto	Nov	A	+0,4% / +0,2%	+0,3% / +0,3%
11.12	US	Export / Import prices	Nov	C	-	-0,9% / -0,2%
12.12	Russia	Trade balance	Oct	B	+\$11,6 b	+\$13 b
12.12	China	Industrial production	Nov	A	+7,5%	+7,7%
12.12	China	Retail sales	Nov	A	+11,5%	+11,5%
12.12	US	PPI / core PPI	Nov	B	-0,1% / +0,1%	+0,2% / +0,4%
12.12	US	Mich Sentiment	Dec	B	89,5	88,8

*actual



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