

## GLOBAL UPDATE & WEEK AHEAD

- Chinese Manufacturing soared in November – monetary tightening is likely to come in 2010
- US consumer gains confidence
- European sentiment data in focus this week

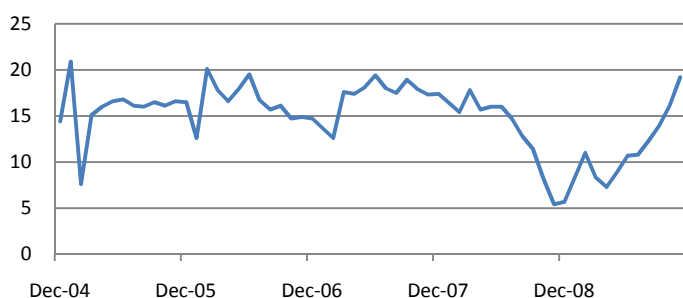
| Market Data*  |          |         |
|---------------|----------|---------|
| CDS HY 5Y     | 584.29   | -6.21%  |
| ITX Crossover | 481.75   | -0.72%  |
| CDS Japan 5Y  | 143.79   | +4.36%  |
| CDS EM 5Y     | 109.61   | +0.02%  |
| CDS Russia 5Y | 193.13   | +2.78%  |
| US Tsys 10Y   | 3.85%    | +3.8105 |
| US Tsys 5Y    | 2.53%    | +2.5044 |
| Brazil 10Y    | 4.81%    | +4.7623 |
| UK 10Y        | 3.84%    | +3.8001 |
| Germany 10Y   | 3.12%    | +3.0933 |
| LIBOR-OIS     | 0.0863   | -0.0203 |
| EUR/USD       | 1.4648   | -0.97%  |
| USD/JPY       | 88.53049 | -1.46%  |
| EUR/GBP       | 0.9017   | -0.26%  |
| Oil Brent     | 71.87    | -6.70%  |
| Gold          | 1124.2   | -1.48%  |
| Copper        | 6835     | -2.91%  |
| Nickel        | 16526    | +3.77%  |
| S&P 500       | 1106.41  | +0.04%  |
| Topix         | 885      | -1.01%  |
| Shanghai Comp | 3,302.90 | -0.87%  |
| DJ EURO Stoxx | 2884.91  | +0.06%  |
| VIX           | 21.59    | +1.60%  |

\*Weekly change, as of 14:00 GMT, Bloomberg

### Chinese economy data point to strong pace of growth in 4<sup>th</sup> quarter

Chinese trade data last week again stressed the strong dynamics of the chinese economy. Industrial production rose 19.2% in November YoY, according to the Chinese statistics bureau (consensus - +18.2%). Imports rose 26.7%. New loans and money supply also topped estimates. Consumer prices accelerated to 0.6%.

China Industrial production, YoY

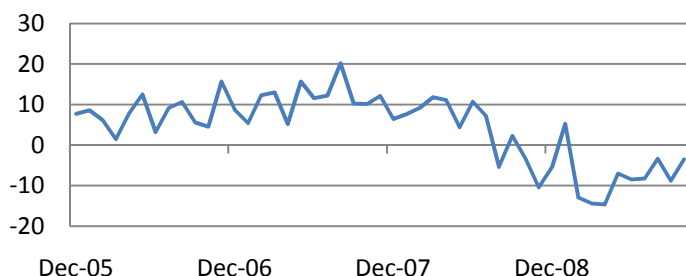


At the same time, good statistics raised concerns on possible monetary tightening.

### US consumer gradually recovers

Currency market was in focus last week. US Trade deficit unexpectedly narrowed to 32.9 bn in October (consensus – \$36.8 bn) and September reading was revised to \$35.7 bn. The narrowing of deficit was driven by a 2.6% gain in exports, including consumer goods surging 7.7%. Import rose 0.4%.

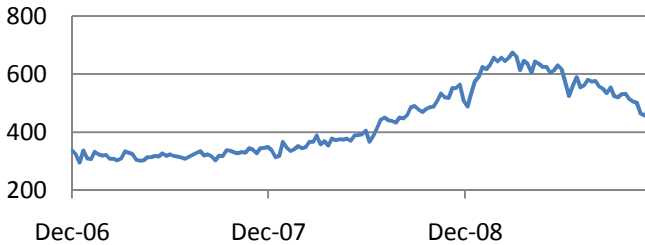
US Trade Balance, mth



US Dollar was strong at the end of the week as perspectives of monetary tightening in the US seem to be more visible.

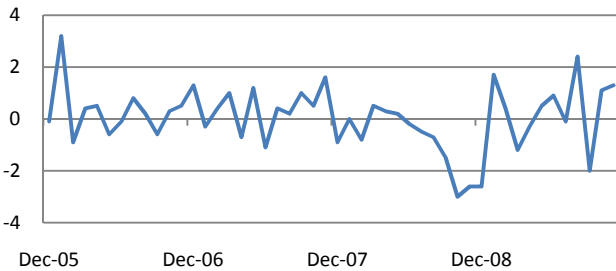
Initial jobless claims unexpectedly rose but trend still remains well down.

US Initial jobless claims, wk, thous.



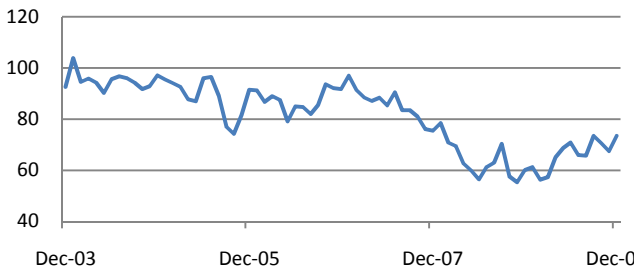
Retail sales unexpectedly jumped 1.3% in November (1.9% y/y) due to an improvement in car sales and building materials. Core retail sales also rose 0.5%, but October data was revised to 0.25% (prev. 0.5%). The most rising component was the sale of electronics (+2.8%).

Advanced retail sales, chg., %



Uof Michigan index of consumer sentiment increased to 73.4 in December from 67.4 in November, topping consensus (68.8) expectations due to a surge in the index of current conditions to 79.1 from 68.8.

University of Michigan Consumer confidence Index



Business inventories increased 0.2% in October, the first gain since August 2008.

Despite correction in the equity markets, credit spreads went on tightening after Dubai concerns eased. On Monday Morning Abu Dhabi announced that it would secure Dubai World debt. That brought some optimism to EM markets.

### **The Week Ahead**

This week European activity data will be in focus. Specifically, German IFO, ZEW reports, European flash PMI will be released.

In the US, Industrial production data will be of concern. All indicators are likely to indicate gradual recovery of the economy. Inflation data (US and UK CPI) will be also closely monitored by the public.

## Global Markets Weekly

| Economic Calendar* |         |                                |        |           |          |
|--------------------|---------|--------------------------------|--------|-----------|----------|
| Time, GMT          | Country | Data                           | Period | Consensus | Prior    |
| 12/14/2009 04:00   | JN      | Tokyo Condominium Sales (YoY)  | NOV    | --        | -20.00%  |
| 12/14/2009 04:30   | JN      | Industrial Production (MoM)    | OCT F  | --        | 0.50%    |
| 12/14/2009 10:00   | EC      | Eurozone Employment (QoQ)      | 3Q     | --        | -0.50%   |
| 12/14/2009 10:00   | EC      | Euro-Zone Ind. Prod. sa (MoM)  | OCT    | -0.70%    | 0.30%    |
| 12/15/2009 07:00   | EC      | EU 25 New Car Registrations    | NOV    | --        | 11.60%   |
| 12/15/2009 10:00   | EC      | ZEW Survey (Econ. Sentiment)   | DEC    | 50        | 51.8     |
| 12/15/2009 13:30   | US      | Producer Price Index (MoM)     | NOV    | 0.80%     | 0.30%    |
| 12/15/2009 13:30   | US      | PPI Ex Food & Energy (MoM)     | NOV    | 0.20%     | -0.60%   |
| 12/15/2009 13:30   | US      | Producer Price Index (YoY)     | NOV    | 1.70%     | -1.90%   |
| 12/15/2009 13:30   | US      | PPI Ex Food & Energy (YoY)     | NOV    | 0.90%     | 0.70%    |
| 12/15/2009 13:30   | US      | Empire Manufacturing           | DEC    | 25        | 23.51    |
| 12/15/2009 14:00   | US      | Net Long-term TIC Flows        | OCT    | \$42.3B   | \$40.7B  |
| 12/15/2009 14:00   | US      | Total Net TIC Flows            | OCT    | --        | \$133.5B |
| 12/15/2009 14:15   | US      | Industrial Production          | NOV    | 0.50%     | 0.10%    |
| 12/15/2009 14:15   | US      | Capacity Utilization           | NOV    | 71.10%    | 70.70%   |
| 12/15/2009 18:00   | US      | NAHB Housing Market Index      | DEC    | 18        | 17       |
| 12/15/2009 22:00   | US      | ABC Consumer Confidence        | 13-    | --        | -47      |
| 12/16/2009 09:00   | EC      | PMI Manufacturing              | DEC A  | 51.5      | 51.2     |
| 12/16/2009 09:00   | EC      | PMI Services                   | DEC A  | 53.2      | 53       |
| 12/16/2009 09:00   | EC      | PMI Composite                  | DEC A  | 54        | 53.7     |
| 12/16/2009 10:00   | EC      | Euro-Zone CPI (MoM)            | NOV    | 0.20%     | 0.20%    |
| 12/16/2009 10:00   | EC      | Euro-Zone CPI (YoY)            | NOV    | 0.60%     | 0.60%    |
| 12/16/2009 10:00   | EC      | Euro-Zone CPI - Core (YoY)     | NOV    | 1.20%     | 1.20%    |
| 12/16/2009 12:00   | US      | MBA Mortgage Applications      | 11-    | --        | 8.50%    |
| 12/16/2009 13:30   | US      | Consumer Price Index (MoM)     | NOV    | 0.40%     | 0.30%    |
| 12/16/2009 13:30   | US      | CPI Ex Food & Energy (MoM)     | NOV    | 0.10%     | 0.20%    |
| 12/16/2009 13:30   | US      | Consumer Price Index NSA       | NOV    | 216.177   | 216.177  |
| 12/16/2009 13:30   | US      | Current Account Balance        | 3Q     | -\$106.0B | -\$98.8B |
| 12/16/2009 13:30   | US      | Housing Starts                 | NOV    | 575K      | 529K     |
| 12/16/2009 13:30   | US      | Building Permits               | NOV    | 570K      | 552K     |
| 12/16/2009 15:30   | US      | DOE U.S. Crude Oil Inventories | 11-    | --        | -3823K   |
| 12/16/2009 15:30   | US      | DOE U.S. Gasoline Inventories  | 11-    | --        | 2253K    |
| 12/16/2009 15:30   | US      | DOE U.S. Distillate Inventory  | 11-    | --        | 1619K    |
| 12/16/2009 19:15   | US      | FOMC Rate Decision             | 16-    | 0.25%     | 0.25%    |
| 12/17/2009 04:00   | JN      | BoJ Monetary Policy Meeting    | 17-    |           |          |
| 12/17/2009 13:30   | US      | Initial Jobless Claims         | 12-    | 466K      | 474K     |
| 12/17/2009 13:30   | US      | Continuing Claims              | 5-Dec  | --        | 5157K    |

## Global Markets Weekly

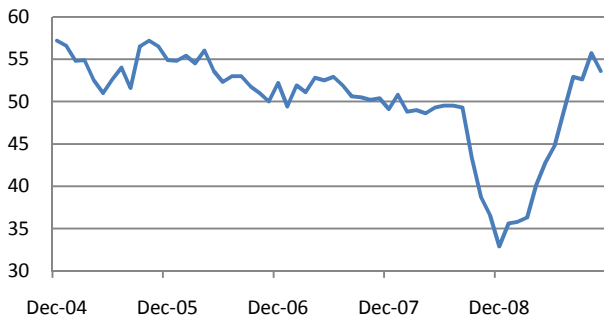
|                  |    |                                    |     |       |         |
|------------------|----|------------------------------------|-----|-------|---------|
| 12/17/2009 15:00 | US | Leading Indicators                 | NOV | 0.70% | 0.30%   |
| 12/17/2009 15:00 | US | Philadelphia Fed.                  | DEC | 15.8  | 16.7    |
| 12/17/2009 15:00 | US | Bernanke Confirmation Vote Held in | 17- |       |         |
| 12/18/2009       | JN | BOJ Target Rate                    | 18- | --    | 0.10%   |
| 12/18/2009 05:30 | JN | Nationwide Dept. Sales (YoY)       | NOV | --    | -10.50% |
| 12/18/2009 09:00 | EC | ECB Euro-Zone Current Account SA   | OCT | --    | -5.4B   |
| 12/18/2009 09:00 | GE | IFO - Business Climate             | DEC | 94.5  | 93.9    |
| 12/18/2009 10:00 | EC | Euro-Zone Trade Balance            | OCT | 5.8B  | 3.7B    |
| 12/18/2009 10:00 | EC | Euro-Zone Trade Balance sa         | OCT | 5.7B  | 6.8B    |

| Central Bank Speakers & US Treasuries Auctions |    |   |
|--|----|---|
| Time   | Ct | Event   |
| 12/14/2009 16:30                               | US | U.S. to Sell USD30 Bln 3-Month Bills                |
| 12/14/2009 16:30                               | US | U.S. to Sell USD31 Bln 6-Month Bills                |
| 12/15/2009 16:30                               | US | U.S. to Sell 4-Week Bills                           |
| 12/15/2009 16:30                               | US | U.S. to Sell USD27 Bln 52-Week Bills                |
| 12/16/2009 19:15                               | US | FOMC Rate Decision                                  |
| 12/18/2009                                     | GE | ECB's Stark Gives Speech on Global Financial Crisis |

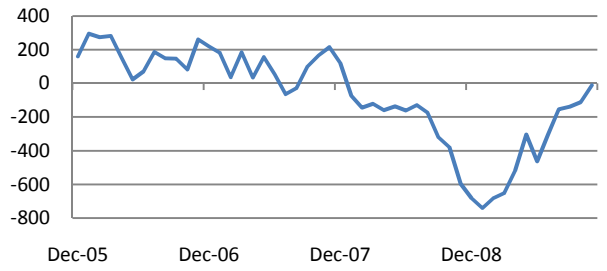
\*Data provided by Bloomberg

### Economic monitor

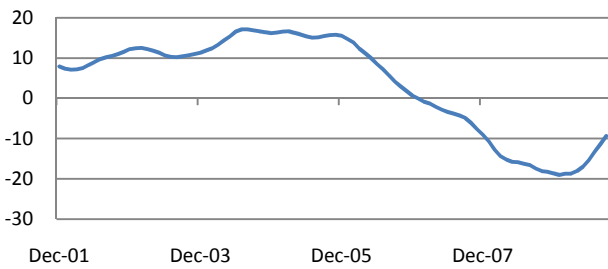
ISM Manufacturing Index



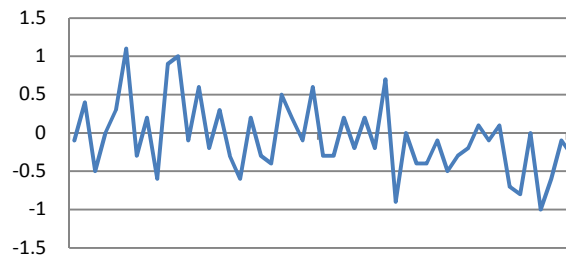
ADP Payrolls



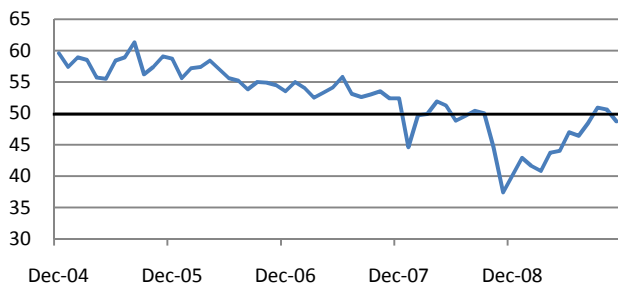
S&P Case/Shiller Index



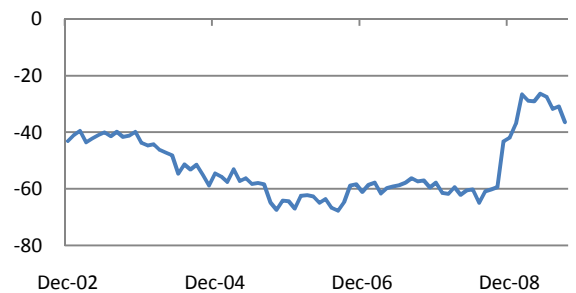
US leading indicators index



ISM Non-Manufacturing

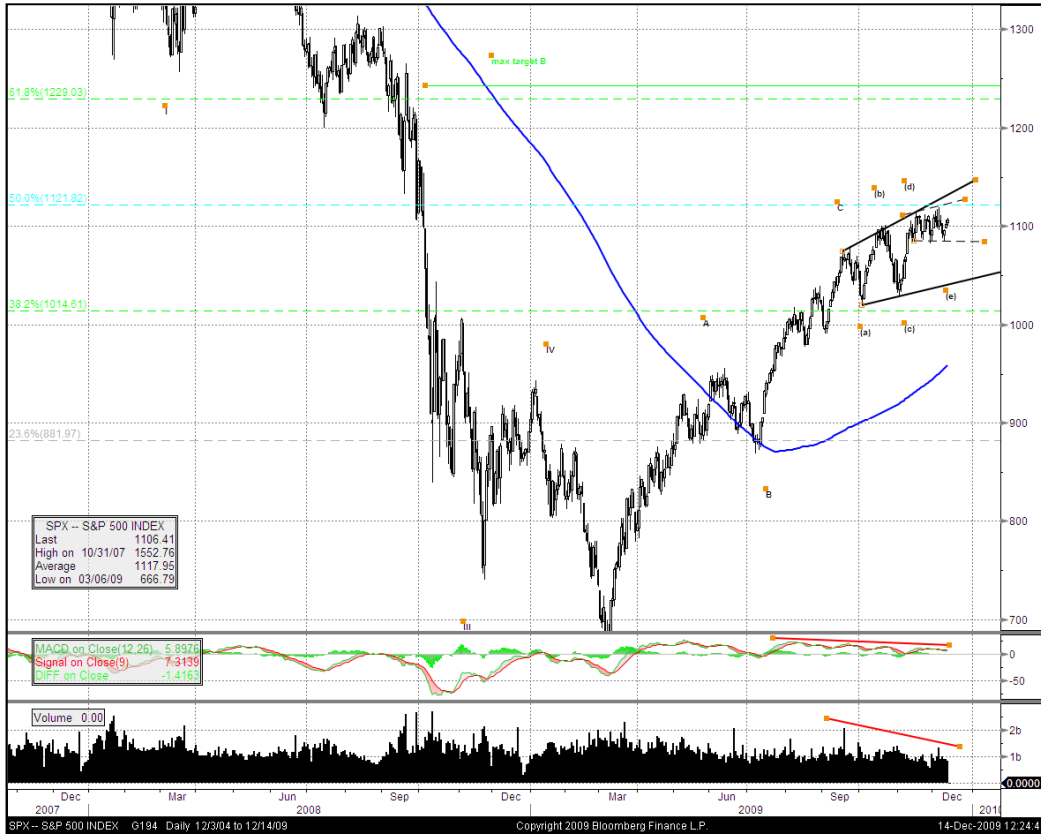


US Trade Deficit



Technical View

S&P 500 Index, Daily



S&P 500 index formed a tight range 1090-1110. If the Index succeeds to break the highs after consolidation, 1150-1170 will be next resistance level. The expanding triangle is a hardly predictable pattern. On one hand, it may end up as an ending triangle – reversal figure. In this case breaking 1070-1080 will lead to testing support around 1000. In the near-term, sticking in the triangle with testing its lower bound at 1060 looks very likely.

Global Markets Weekly

DJ EuroStoxx 600, daily



DJ Stoxx 600 looks similar to the US stocks index. Forming expanding triangle may result in breaking recent highs with final target around 278 points. If the price breaks support 239 points, next support may be found around 236 points. However if the triangle turns out to be unlimited, the price can consolidate in the range 235-255 for 1-2 months.

**Dow Eurostoxx Utilities Index**



Dow Jones Eurostoxx Utilities Index found support around 200 SMA and may be forming flat a-b-c correction with possible upward (b) target around 340 points and downward (c) target around 310 point. Buying from these (c) levels may be a low-risk deal. Yet, price consolidation may last until the end of this year.

EURUSD, daily



EURUSD formed “ending diagonal” pattern and seems to form long term down-headed reversal pattern. In this case 5<sup>th</sup> wave of the C (B)-wave is over and A(C) has started. Alternate count (with current leg as the 4th wave) is possible, but even in this count the price is highly likely to test 200 MA levels as 4<sup>th</sup> wave support (1.38 – 1.39) in the forthcoming months. In the near term consolidation around 1.46 – 1.48 is the most likely.

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