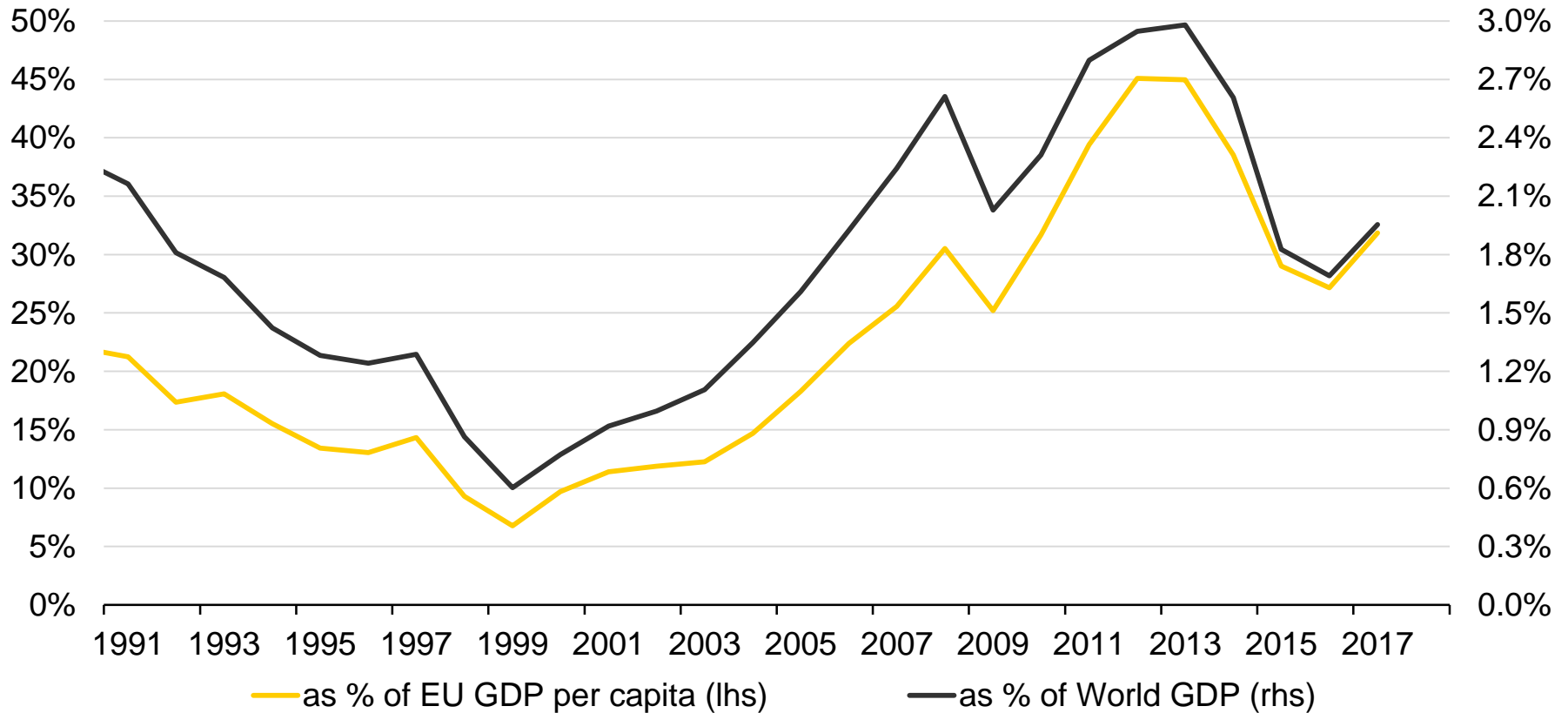


Russian Ruble: Wethering global storms

Russian economic catch-up experienced a severe setback

Russia Gross Domestic Product
Percentage share



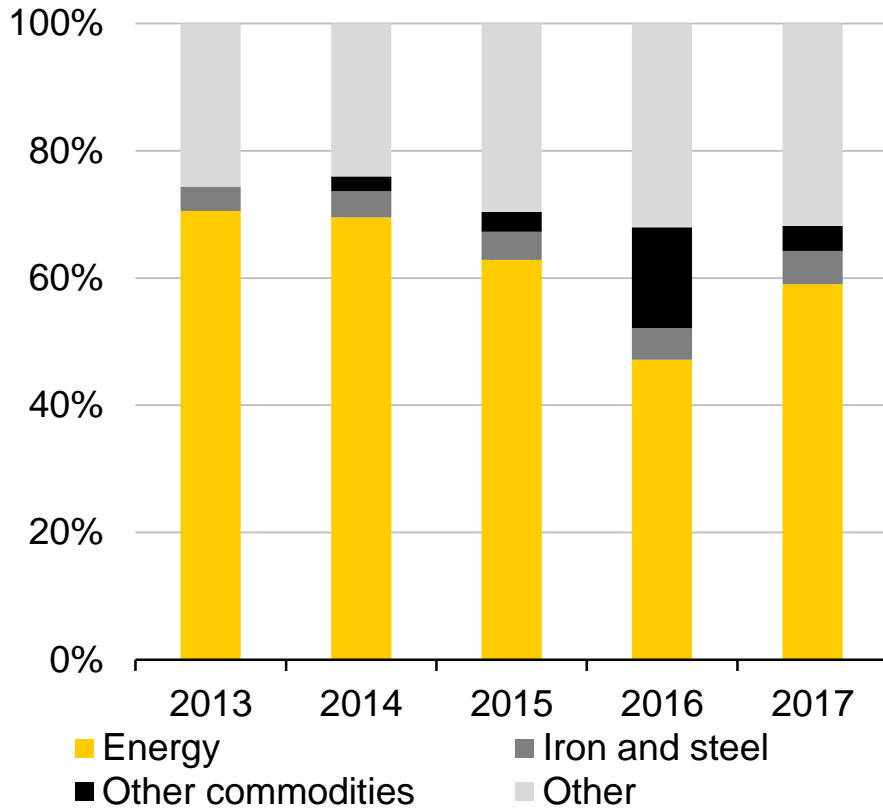
Source: Bloomberg

Russian economy remains energy reliant

Export share decreased, but only due to a drop in energy exports

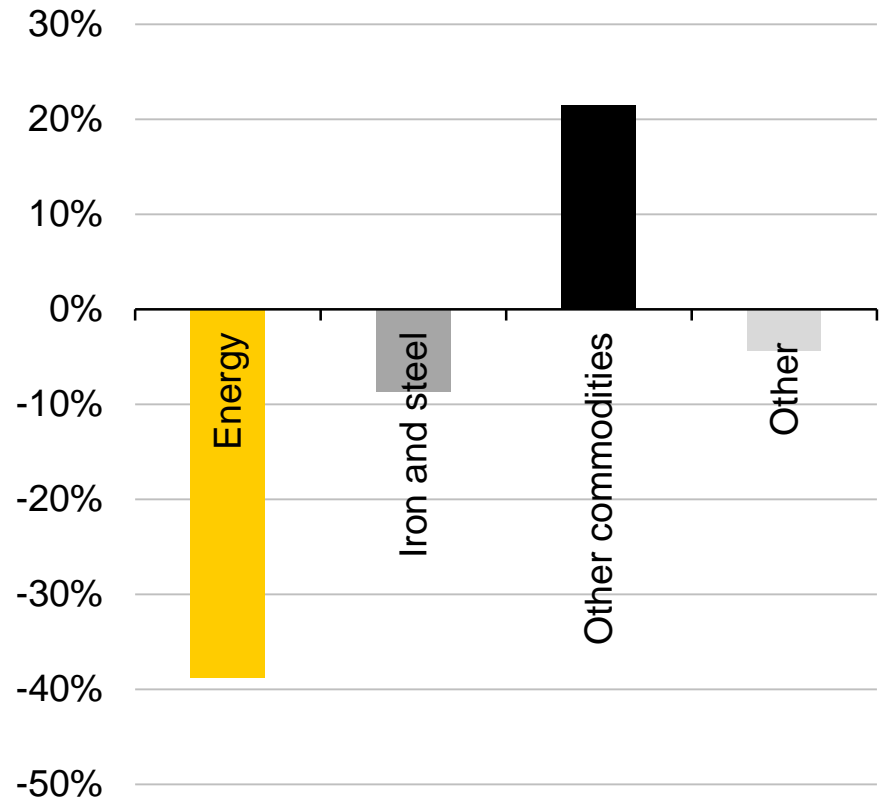
Export share

In percent of total exports



Change in nominal exports 2014 to 2017

Percentage change

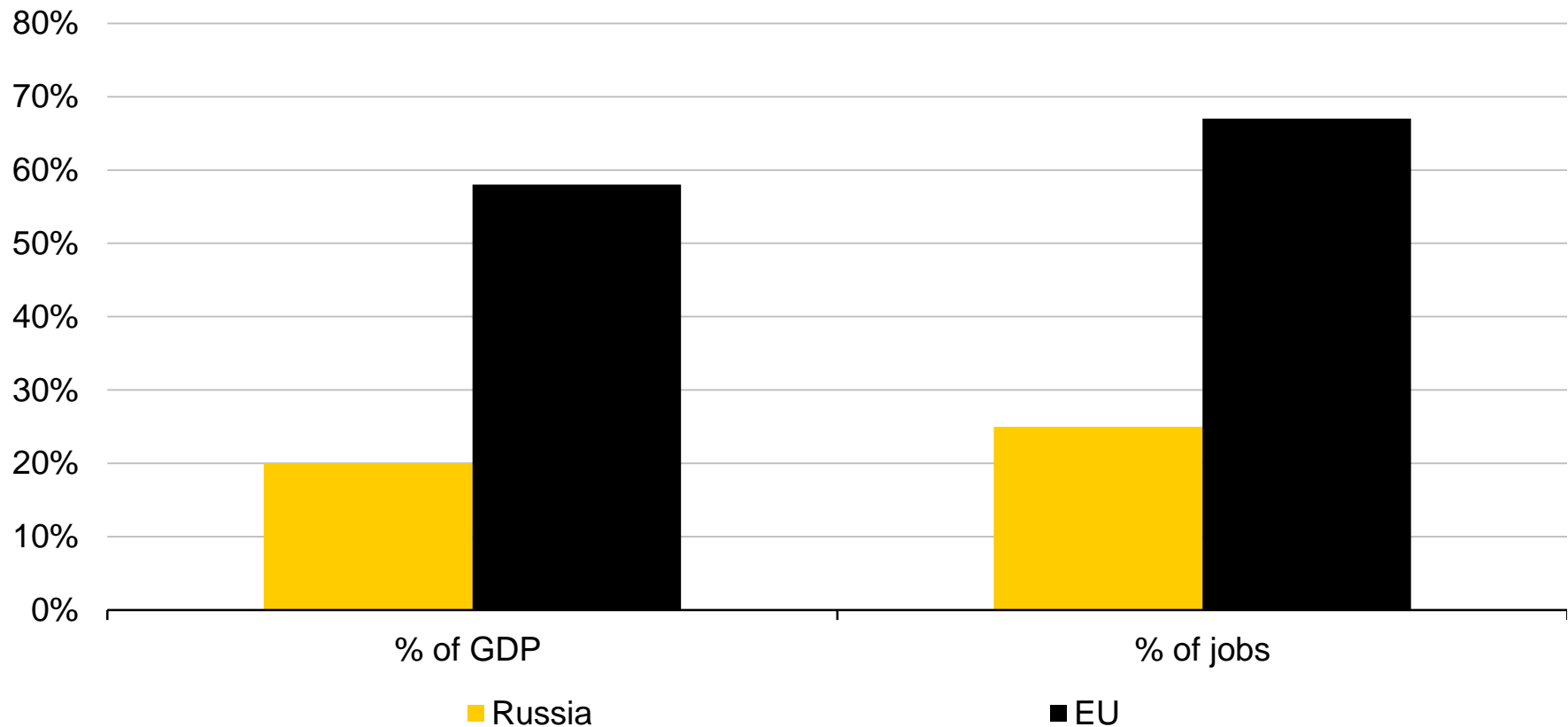


Source: ICT Trade Map

Private sector has still a non-essential role in the Russian economy... ...which is why sanctions against SOEs additionally weighed on growth

Contribution of SMEs to the economy

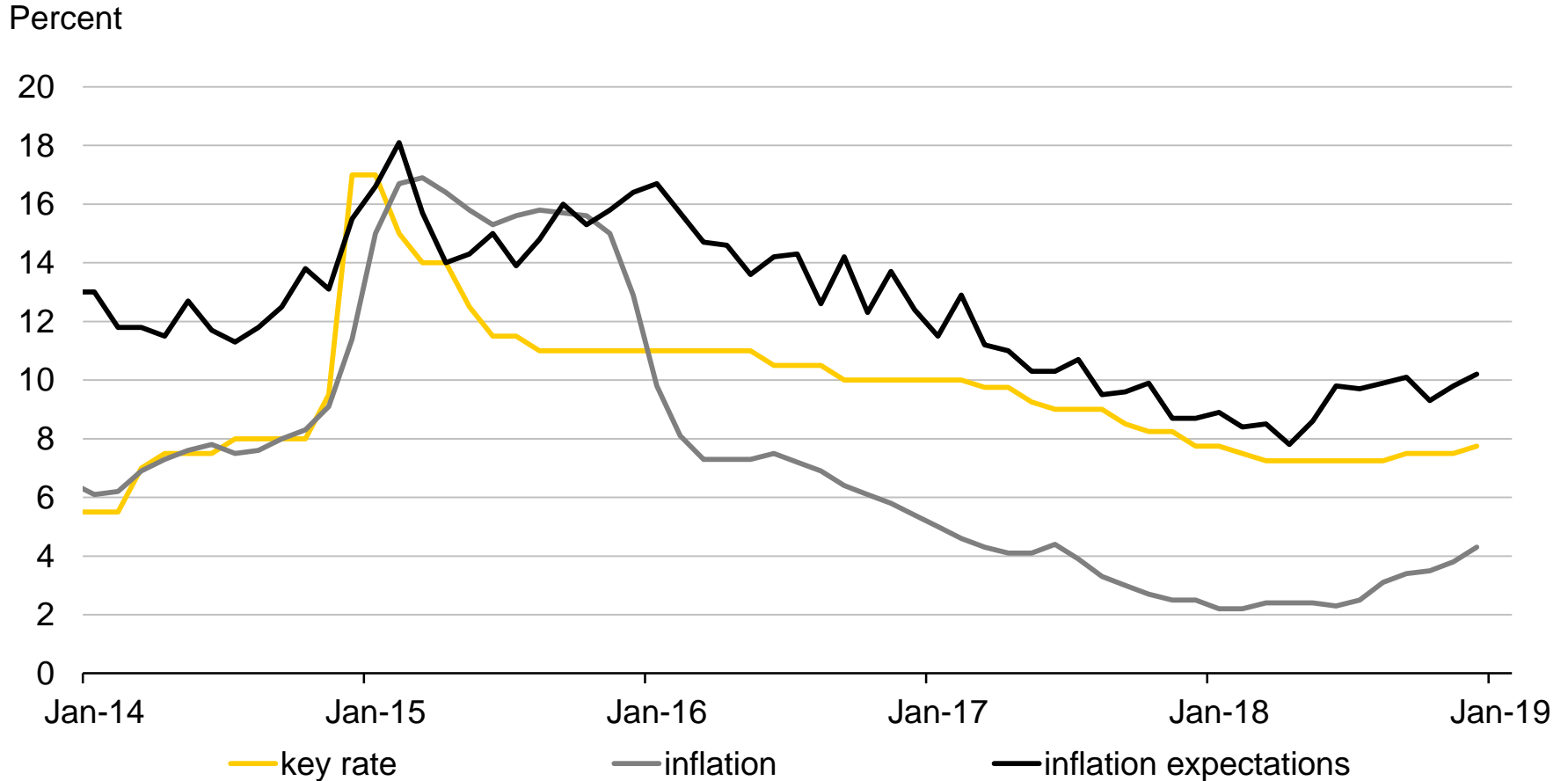
Percentage shares



Source: World Bank, Eurostat

Economic growth is dampened by high interest rates, as central bank focuses on inflation expectations

Key interest rate, inflation and 12M consumer inflation expectations

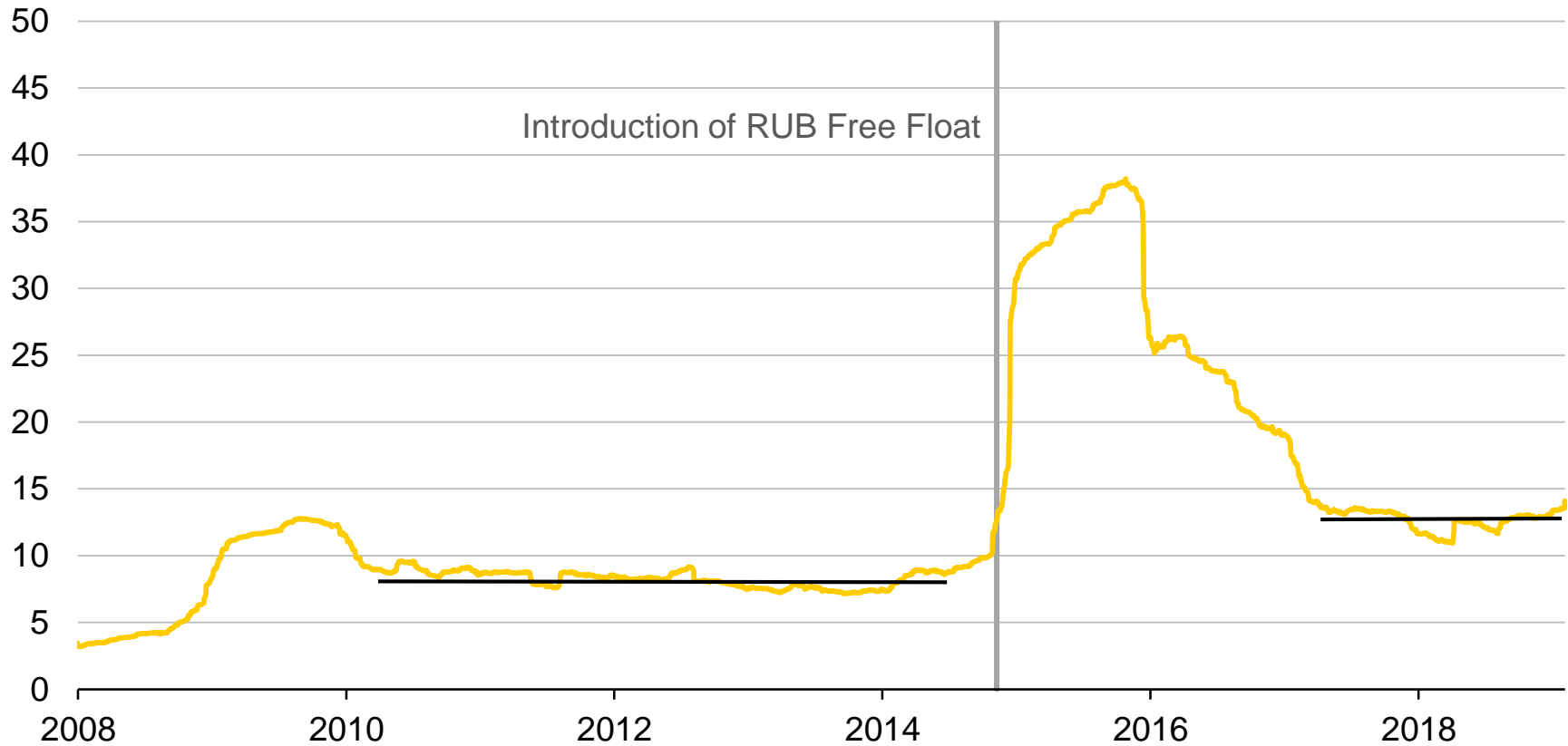


Source: The Central Bank of the Russian Federation Federal Service State Statistics

High rates have helped to contain exchange rate volatility

EUR/RUB 12-Month-ATM volatility

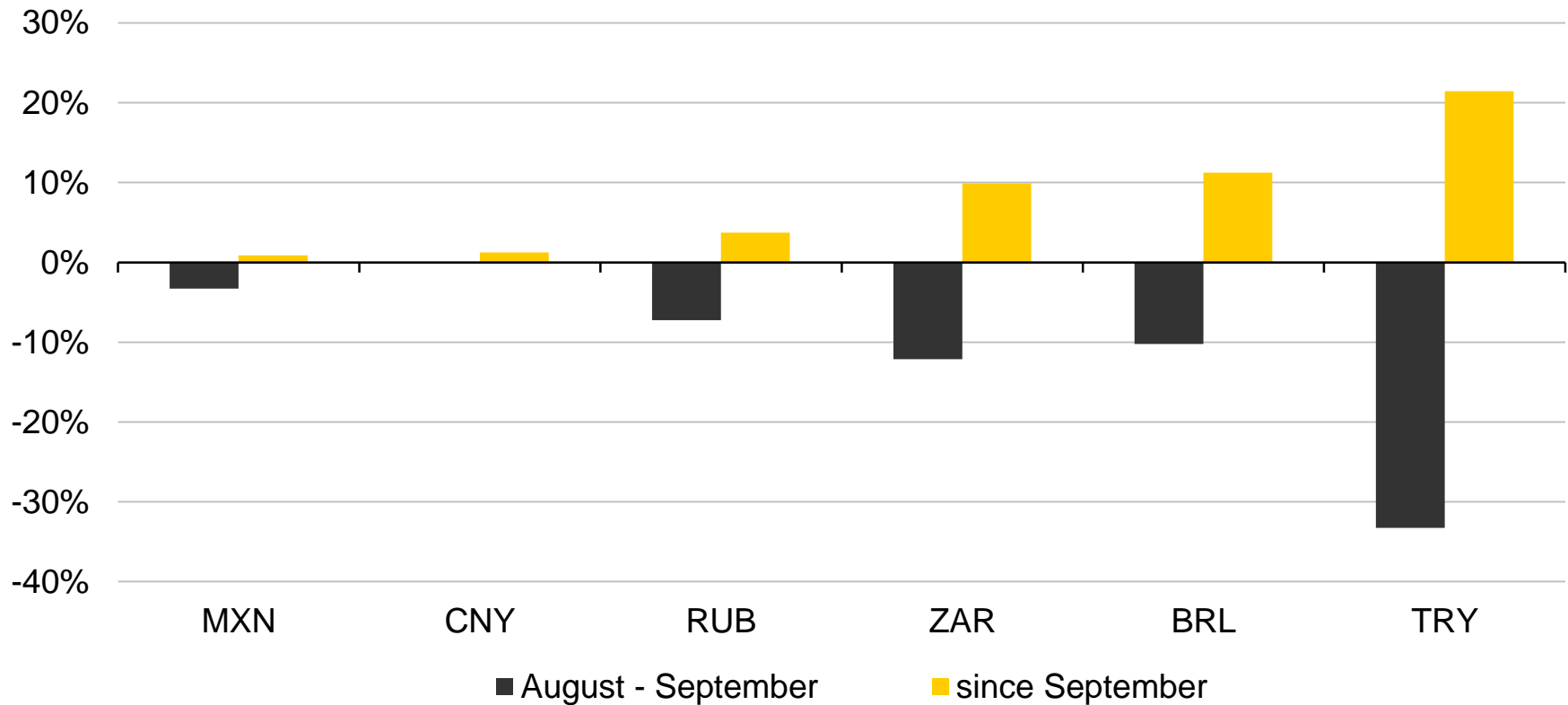
Percent annualized



Source: Bloomberg

But the ruble still remains at the mercy of global factors... ...as last year's Emerging Market turbulences showed

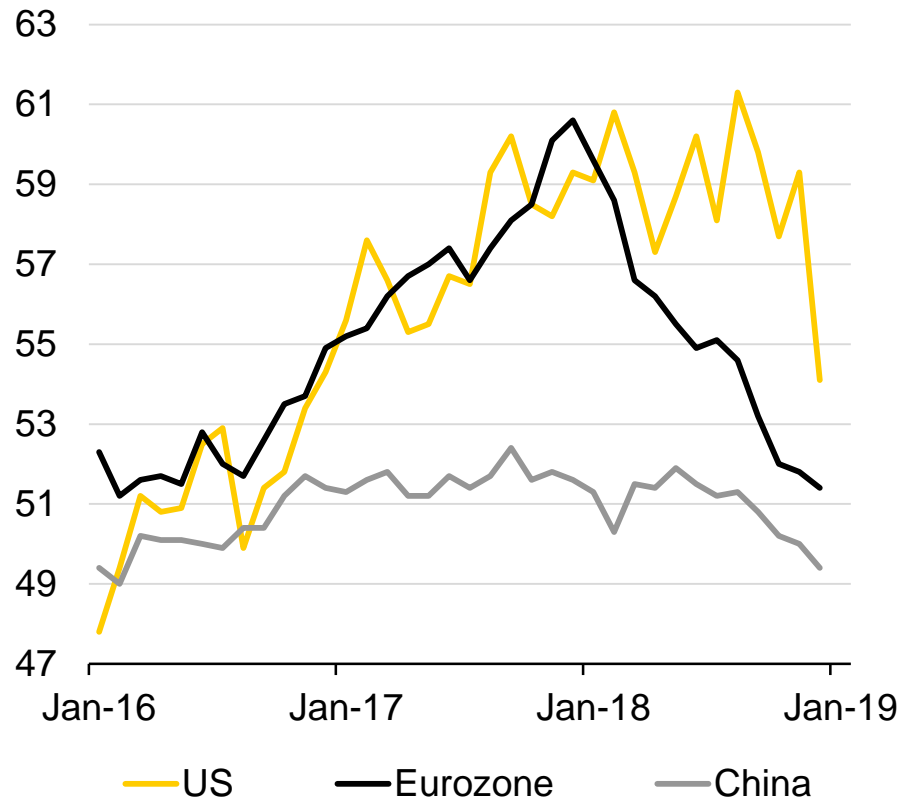
Emerging Market currencies's performance
Change against US Dollar



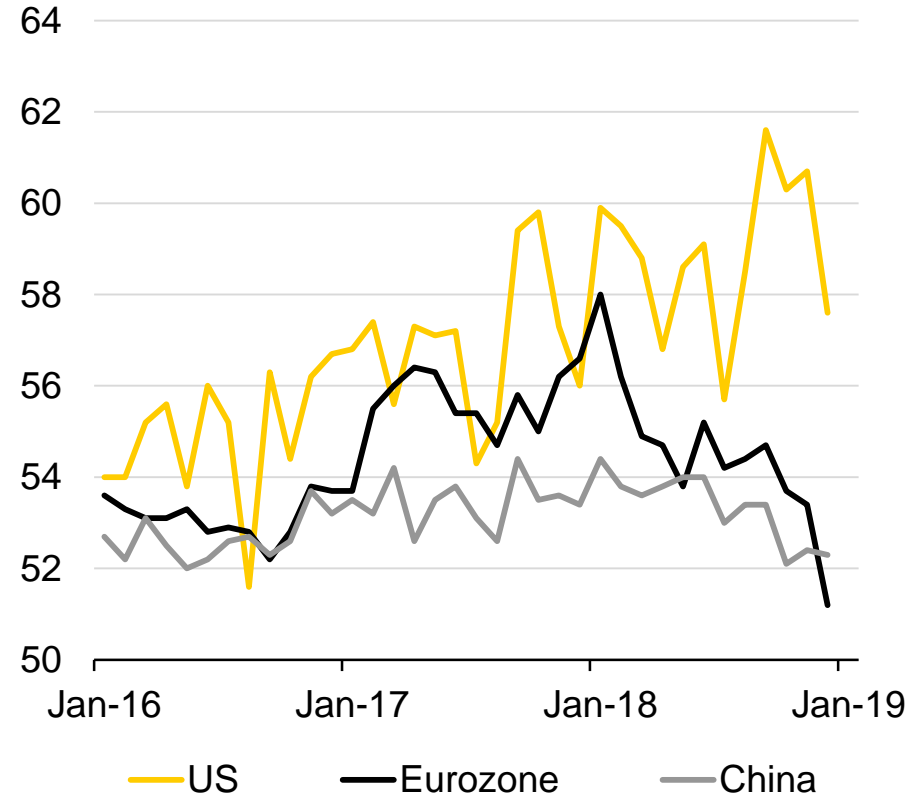
Source: Bloomberg

Economic sentiment is souring globally

Manufacturing Purchasing Manager Indices
Index



Services Purchasing Manager indices
Index

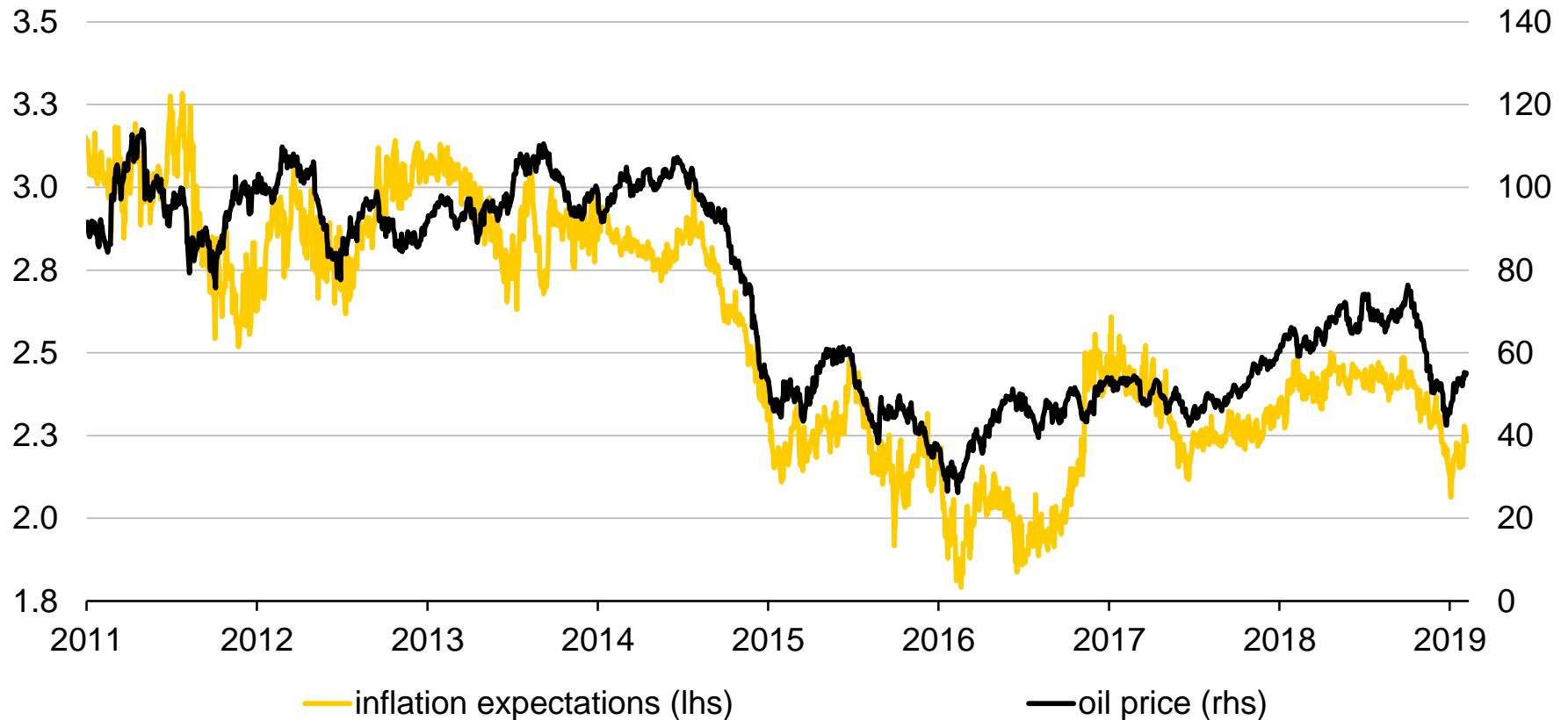


Sources: Markit, Eurostat

High correlation of oil price and inflation expectations

Market based 5x5y inflation expectations and oil price

Inflation expectations based on inflation swaps in percent; oil price in \$/bbl WTI

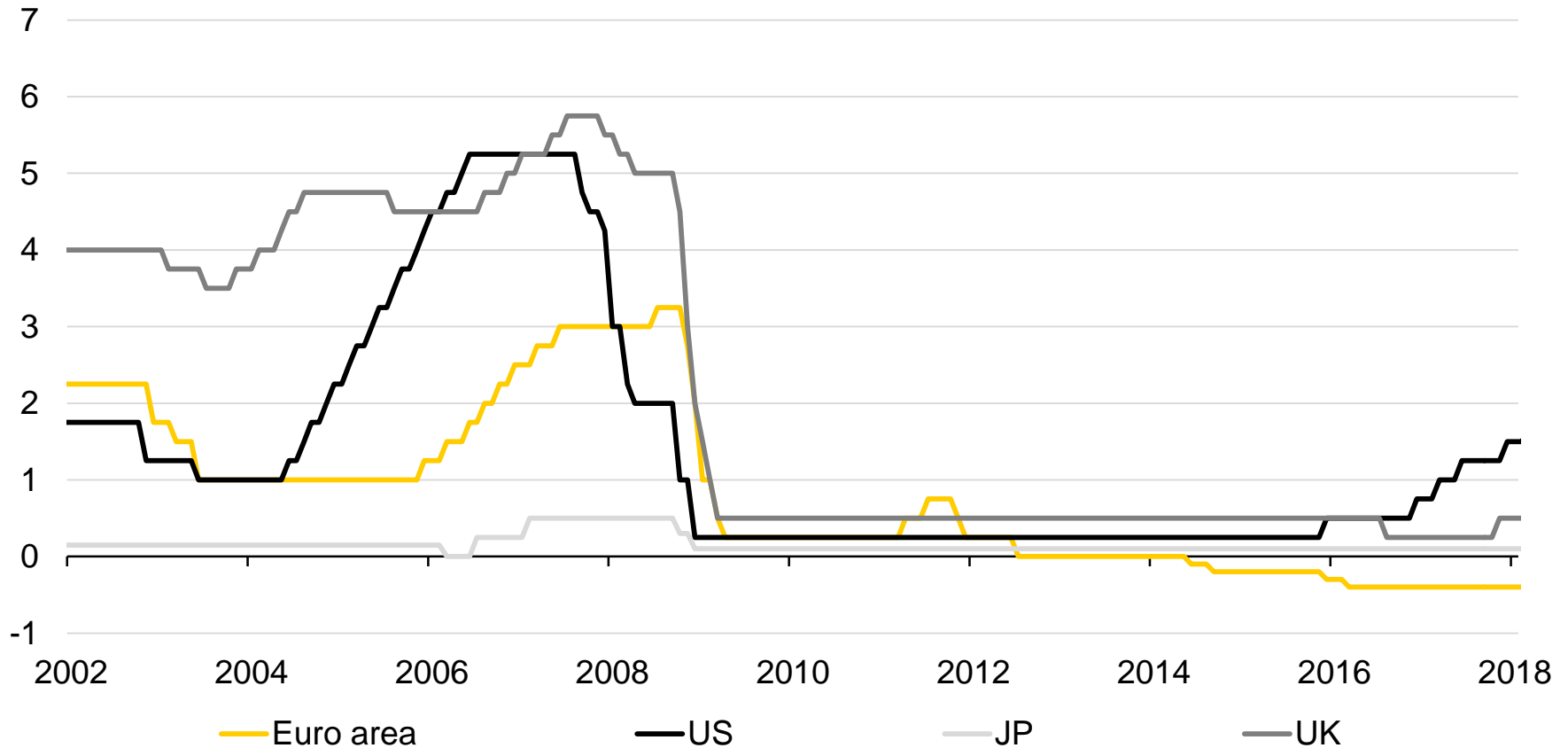


Source: Bloomberg

Accommodative monetary policy provides tailwind to Emerging Market currencies, particularly as US rates will not rise further

Key interest rates

Percent

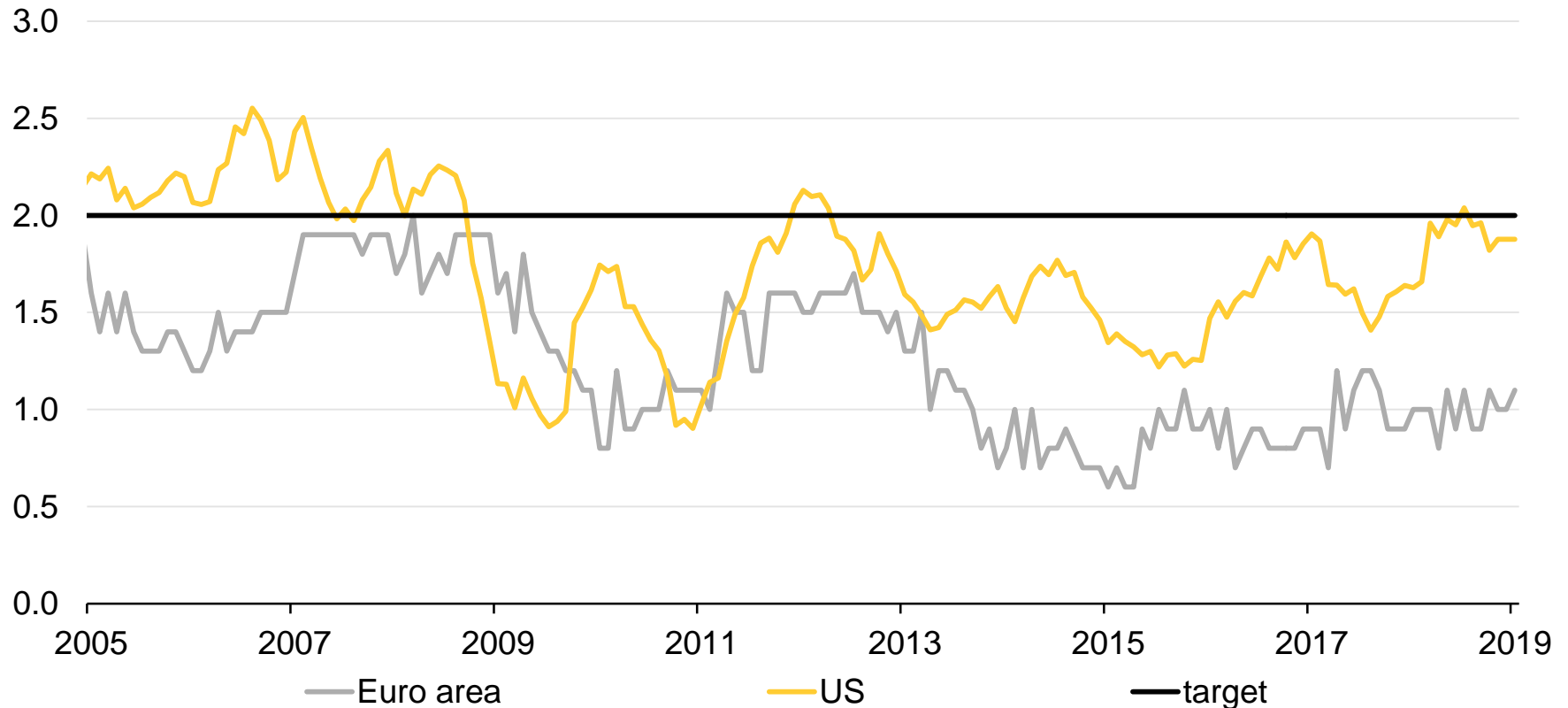


Source: National central banks

Monetary policy will remain accomodative due to muted inflation

Core inflation in the US and the Euro zone

In percent yoy



Sources: Bureau of Economic Analysis, Eurostat

Macroeconomic forecasts

		2018	2019	2020
Real GDP *	Avg.	1.6	1.2	1.3
	(yoy, %)			
	Q4	1.6	1.0	1.5
CPI	Avg.	2.9	4.2	2.6
	(yoy, %)			
	Dec.	4.3	3.2	2.6
Key rate (%)	Dec.	7.75	7.25	6.50

* GDP based on old methodology

FX forecasts

	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
EUR-USD	1.16	1.18	1.20	1.24	1.26	1.30	1.32	1.32
USD-RUB	67.0	67.0	65.0	65.0	65.0	62.0	62.0	62.0
EUR-RUB	77.7	79.1	78.0	80.6	81.9	80.6	81.8	81.8

Source: Commerzbank Research

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