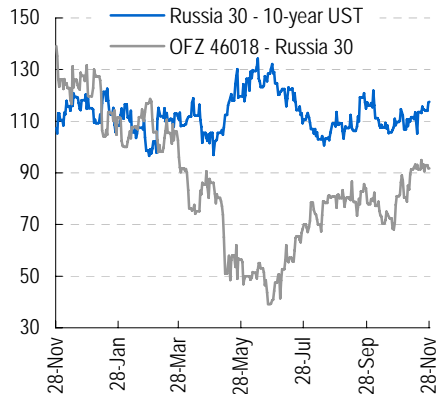
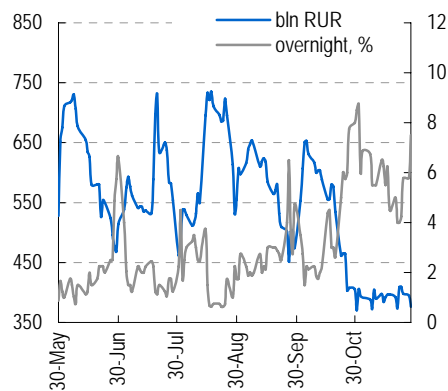


Tuesday, November 28, 2006

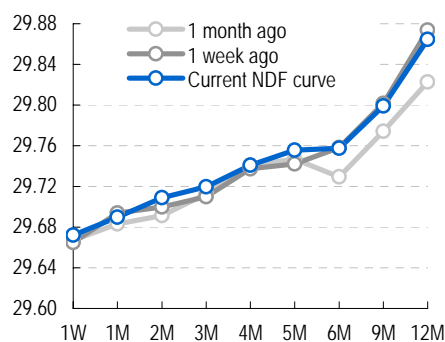
### Russia 30-UST and OFZ-Russia 30 spreads, bp



### Rouble liquidity available at banks, overnight



### NDF on a basket of 0.6 USD + 0.4 EUR (in RUR)



### EVENT CALENDAR

November 28	Profit tax payments in Russia
November 28	Rouble bond issues Energomash, GMS
November 29	Rouble bond issue Gazprombank
November 29	Rouble bond issue Aladushkin
November 29	MTS 3Q06 financial report
November 30	VimpelCom 3Q06 financial report
November 30	Rouble bond issue Severny Gorod
End of Nov	Gazprom 2Q 06 IFRS report

### MARKET COLOR

- **Eurobonds:** Russian Eurobonds are gradually widening their spreads over UST, but still performing better than the rest of Emerging Markets. Corporate segment remains quiet with no major price moves. In the primary market VTB 24 (A2/BBB+/BBB+), a retail arm of VTB, has announced price-talk on its 3-year FRN at 3mL+80-85bp. This looks fair given that the much shorter VTB 08 FRN is currently trading around L+53bp.
- **Rouble bonds:** Despite still high overnight rates the market looks relatively firm. Investors understand that the end-of-month tax payments this week will likely be the last challenge before the long-awaited improvement in the market sentiment in December. To remind, there is over 1 trillion of delayed budget expenditure that is due to flush into the banking system before the end of the year. Cheap rouble liquidity is likely to trigger a mini-rally in the rouble bonds.

### NEWS AND COMMENTS

- **Brief: Financial Corporation Uralsib will increase its stake in Kopeyka (B- S&P) retail chain from 50% to 100% before the end of this year.** The financial group, which among other assets controls Bank Uralsib (Ba3/B/B) – one of Russia's top ten largest banks – will buy the 50% from the current management of Kopeyka. We view the deal as credit-positive for Kopeyka since it will increase the likelihood of support that retail chain will receive from Uralsib in case it faces financial difficulties. We think that Kopeyka's 3-year rouble issue (YTM 9.50%) is trading too wide over X5 yield curve. We think that the spread should tighten from 130bp now to around 70-80bp.
- **Brief: Svyazinvest plans to reduce its involvement in the operating management of its subsidiaries** in response to criticism from minorities that the state-owned holding forced its regional telecoms to get involved in unreasonable capex projects. The move doesn't make much sense to us, but we treat the news as credit-neutral for regional telecoms. They have passed peaks in their investment cycles and now show strong improvements in profitability on the back of job cuts and tariff changes.
- **Brief: Lenenergo (NR), an electricity distribution utility servicing St.Petersburg (Baa2/BBB-/BBB-),** has received a new tariff for interconnects, which is likely to significantly boost revenues. The tariff has been approved by the administration of St. Petersburg. The city administration intends to support Lenenergo and increase control over the company by purchasing the new share issue planned for next year. Lenenergo is currently hardly breaking even and facing huge capex needs. However, we think that these weaknesses are offset by the strategic importance to and implied support from St.Petersburg and Lenenergo's controlling shareholder – RAO UES group (B+ S&P).

### KEY MARKET INDICATORS

	Close	Change		
		1 day	1 week	1 year
UST 10 Year Yield, %	4.53	-0.02	-0.14	+0.14
EMBI+ Spread, bp	201	+5	+14	-44
EMBI+ Russia Spread, bp	119	+2	+9	+1
Russia 30 Yield, %	5.70	+0.01	-0.07	+0.16
OFZ 46018 Yield, %	6.62	0	+0.04	-0.12
Cash accounts at CBR, bln RUR	315.7	-23.8	-24.6	-174.5
Deposits at CBR, bln RUR	60.5	+5.2	-6.8	-54.2
Due from (to) CBR, bln RUR	-23.3	-	-	-
Overnight RUR, %	7.5	+1.70	-	-
RUR/Bi-currency basket	29.66	-0.01	-0.01	-1.21
Crude oil (Brent), USD/barrel	60.4	+0.4	-0.7	+2.3
RTSI	1727	+4	+100	+605

Sources: DataStream, Bloomberg, MDM, company data



**MDM Bank**  
**Investment Division**  
 33/1 Kotelnicheskaya Nab.,  
 Moscow, Russia 115172  
 el.+7 (495) 795-2521

### Managing Director, Head of Fixed Income Sales and Trading

**Sergey Babayan**

Sergey.Babayan@mdmbank.com

### Sales: bond\_sales@mdmbank.com

Corrado Taveggia	+7 495 787 94 52
Natalia Ermolitskaya	+7 495 960 22 56
Linaida Eremina	+7 495 363 55 83
Bogdan Krut	+7 495 363 27 44
Dmitry Omelchenko	+7 495 363 55 84

### Fixed Income Trading

Nicolay Panyukov	Nicolay.Panyukov@mdmbank.com
Alexander Zubkov	Alexander.Zubkov@mdmbank.com
Evgeny Lysenko	Evgeny.Lysenko@mdmbank.com

### Repo Desk

Alexei Bazarov	Alexei.Bazarov@mdmbank.com
Denis Anokhin	Denis.Anokhin@mdmbank.com

### Co-Head of Research

**Alex Kantarovich, CFA**

Alex.Kantarovich@mdmbank.com

### Co-Head of Research

**Kim Iskyan**

Kim.Iskyan@mdmbank.com

### Fixed Income

Mikhail Galkin	Mikhail.Galkin@mdmbank.com
Nikolay Bogatyri	Nikolay.Bogatyri@mdmbank.com

Yelena Morozova	Elena.Morozova2@mdmbank.com
Denis Vodnev	Denis.Vodnev@mdmbank.com
Maxim Korovin	Maxim.Korovin@mdmbank.com

### Metals & Mining

Michael Kavanagh	Michael.Kavanagh@mdmbank.com
Andrey Litvin	Andrey.Litvin@mdmbank.com

### Oil & Gas

Andrey Gromadin	Andrey.Gromadin@mdmbank.com
-----------------	-----------------------------

### Strategy, Economics, Banking

Alex Kantarovich, CFA	Alex.Kantarovich@mdmbank.com
Peter Westin	Peter.Westin@mdmbank.com
Irina Plevako	Irina.Plevako@mdmbank.com

### Telecoms & Technology

Elena Bazhenova	Elena.Bazhenova@mdmbank.com
-----------------	-----------------------------

### Editors/Production

Nathan Gardener	Nathan.Gardener@mdmbank.com
Thomas Lavrakas	Thomas.Lavarakas@mdmbank.com
Ekaterina Ogurtsova	Ekaterina.Ogurtsova@mdmbank.com
Andrey Goncharov	Andrey.Goncharov@mdmbank.com

### Consumer/Industries

Kim Iskyan	Kim.Iskyan@mdmbank.com
Elena Afonina	Elena.Afonina@mdmbank.com

### Utilities

Tigran Hovhannisyan	Tigran.Hovhannisyan@mdmbank.com
---------------------	---------------------------------

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