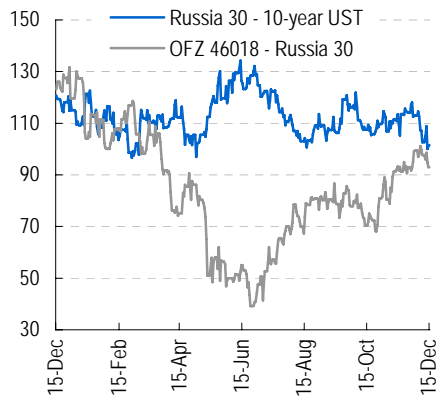
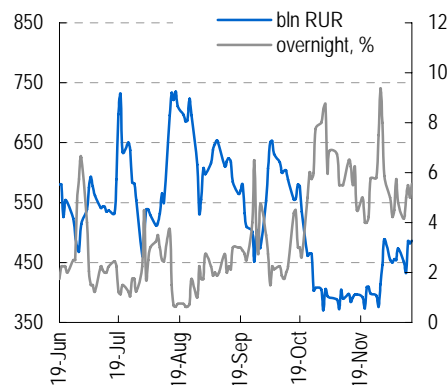


Friday, December 15, 2006

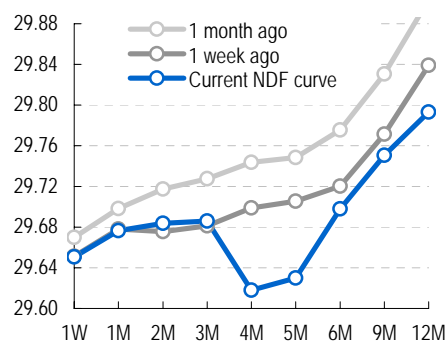
### Russia 30-UST and OFZ-Russia 30 spreads, bp



### Rouble liquidity available at banks, overnight



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



### EVENT CALENDAR

December 15	CPI data in the US
December 15	OBR-3, OFZ 46018, OGG-3 placements
December 15	Social tax payments
December 18	NWTelecom to vote on TT merger
December 18	PPI data in the US
December 19	WBD to vote on consolidation of dairy
December 20	VATA payments
December	Gazprom 2Q IFRS results

### MARKET COLOR

- Eurobonds:** Russia 30 traded down yesterday approximately by ¼, but still tightened its spread over UST by another basis point to 102-103bp. Sellers were seen in longer-dated corporate bonds. We also noticed some interest in the new **Slavinvestbank** 9.785% (B1/B-) issue.
- Rouble bonds:** Focus in the rouble bonds was shifted towards primary market yesterday. **LUKOIL** (Baa2/BB+/BBB-) successfully priced its 5yr and 7yr bonds at a YTM of 7.23% and 7.54%, respectively. The longer dated issue appeared more interesting to investors, hence it came out 20bp below price-talk. Book retailer **TOP-KNIGA** (NR) successfully priced its second issue at 10.5% (1.5 yr put). New issues from **North-West Telecom** (NR/BB-/B+) and **TOAP** (NR, fuel wholesale trader) were priced as well, but apparently didn't generate as much interest as **LUKOIL** and **TOP-KNIGA** deals. Secondary market remains quiet with almost no price changes as rouble liquidity conditions remain relatively tight. Today **OGK-3**, one of the newly shaped electricity generation subsidiaries of **RAO UES**, is pricing a 3bn bond with a 6-month put.

### NEWS AND COMMENTS

- Brief:** Halyk Bank (Baa1/BB+/BB+), Kazakhstan's third largest bank, has successfully completed IPO on LSE. The bank's core shareholder raised US\$680m after selling a 20% stake. Following that the shareholder intends to use part of the proceeds (around US\$220m) to finance a purchase of a new share issue. We view the event as certainly credit-positive since the transaction will help improve capital adequacy as well as corporate governance. **KKB** (Baa1/BB+/BB+), Kazakhstan's largest bank, has recently completed a similar transaction. We note that fundamental attractiveness of Kazakhstan's banking risk is offset by intense and regular new issuance.
- Brief:** Sistema's (B3/B+/B+) subsidiary **Comstar-UTS** will raise a US\$625m loan from ABN-Amro to finance a purchase of a 25%+1 stake in **Svyazinvest** for US\$1.3bn. As we said earlier, we view the transaction as credit-neutral since the investment makes sense and Sistema group has sufficient financial flexibility.
- Brief:** The Board of Directors of **AVTOVAZ** (NR) has approved top officials of Russia's arms export vehicle **Rosoboronexport** as the key managers of the company. We don't see any immediate credit implications and believe that **AVTOVAZ** will continue to rely on government support. Stand-alone performance is likely to deteriorate. To the best of our knowledge **AVTOVAZ** has yet not published its IFRS 2005 financial statements.

### KEY MARKET INDICATORS

	Close	Change		
		1 day	1 week	1 year
UST 10 Year Yield, %	4.60	+0.02	-0.02	+0.21
EMBI+ Spread, bp	176	-3	-15	-69
EMBI+ Russia Spread, bp	98	-3	-16	-20
Russia 30 Yield, %	5.61	+0.03	-0.10	+0.07
OFZ 46018 Yield, %	6.54	+0.01	-0.09	-0.20
Cash accounts at CBR, bln RUR	439.9	+5.5	+112.7	-50.3
Deposits at CBR, bln RUR	46.3	-1.5	-18.5	-68.4
Due from (to) CBR, bln RUR	100.4	-	-	-
Overnight RUR, %	5.55	+0.55	-	-
RUR/Bi-currency basket	29.66	0	0	-1.21
Crude oil (Brent), USD/barrel	62.9	+1.6	+3.4	+4.8
RTSI	1840	0	+134	+718

Sources: DataStream, Bloomberg, MDM, company data



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