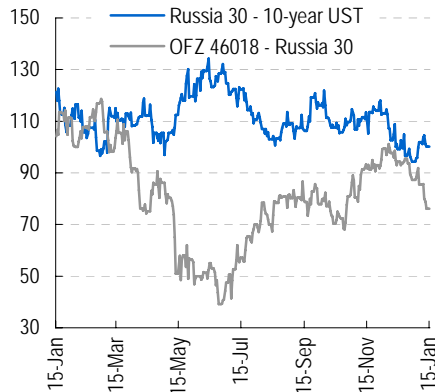
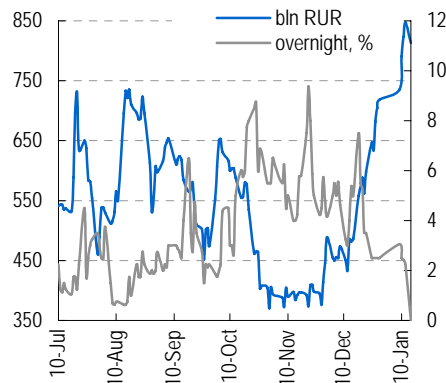


Monday, January 15, 2007

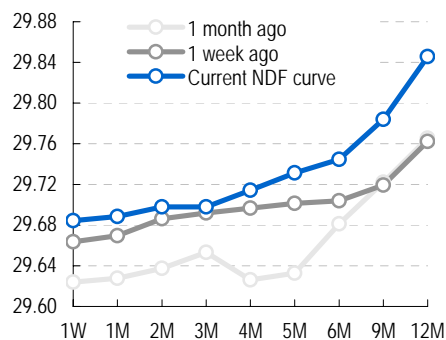
### Russia 30-UST and OFZ-Russia 30 spreads, bp



### Rouble liquidity available at banks, overnight



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



### EVENT CALENDAR

January 15	Martin Luther King Holiday in the US
January 15	Unified Social Tax payments in Russia
January 16	Empire Manufacturing Index in the US
January 17	CPI, Industrial Production data in the US
January 18	CPI, Philadelphia Fed data in the US
January	Road-shows Privatbank, Tsesnabank, Alliance bank, CenterCredit
January	X5 4Q trading update
January	Magnit 4Q trading update

### MARKET COLOR

- Eurobonds:** Relatively unpleasant start of the year as US Treasury yields rose following publication of strong macroeconomic data and a decline in the oil price. Emerging Markets bonds are performing in line with UST, as EMBI+ spread is floating close to 170bp. Russia 30 is trading around 112 ¼, 100bp over UST. In the primary market Kazakh banks have taken the lead with a dual tranche from **Bank TuranAlem** priced last Friday (2 year FRN and 30-year fixed coupon with a put in 10 years). Three more Kazakh banks – **CenterCredit**, **Alliance** and **Tsesnabank** – as well as Ukraine's **Privatbank** are coming with US\$-denominated bonds shortly.
- Rouble bonds:** Activity in the rouble bonds has so far been relatively low as many Russians have extended their New Year holidays until 14<sup>th</sup> of January. Price moves are insignificant. The sentiment is rather neutral as comfortable rouble liquidity conditions (overnight rates around 2.0-2.5%) are offset by unfavourable dynamics in the Eurobonds and lower oil price. The latter negatively affects expectations of rouble appreciation.

### NEWS AND COMMENTS

- Brief: Shareholders of NKNK (B2/NR/B+) have approved the US\$950 million share issue.** The news came out on December 27. While the proposed structure of the deal is not perfect from a corporate governance perspective (minority investors may suffer), we view the news as credit-positive given the large size of the upcoming equity injection. We believe that this will partly offset the risks related to the ambitious investment plans of the company. We also note that the deal will likely result into increased leverage of NKNK's principal shareholders – Tatarstan-owned **SINEK** (Ba1/NR/BB) and private investment holding **TAIF** (NR).
- Brief: Mirax Group received first time ratings from Moody's and Fitch (B2/Stable and B/Stable, respectively).** We think that credit ratings are a good technical support for the bonds of this leading Russian construction company, as it will help increase the limits on the name and address concerns that some investors may have with regards to risks in Russian construction and development industry. The CLN of Mirax Group maturing February 2008 is currently offering 8.8%. The 3-year rouble bond is trading around 10.75%, which suggests attractive price upside.
- Brief: LUKOIL (Baa2/BB+/BBB-) has reported solid 3Q 2006 financial results,** which show that the company continues to maintain very conservative debt cover ratios. LUKOIL's rouble bonds are offering less than 20bp yield pick-up over Gazprom curve.

### KEY MARKET INDICATORS

	Close	Change		
		1 day	1 week	1 year
UST 10 Year Yield, %	4.78	+0.05	+0.19	+0.08
EMBI+ Spread, bp	171	-3	-15	-74
EMBI+ Russia Spread, bp	99	-3	-10	-19
Russia 30 Yield, %	5.78	+0.04	+0.19	+0.13
OFZ 46018 Yield, %	6.54	+0.01	+0.01	+0.02
Cash accounts at CBR, bln RUR	474.1	-67.4	+34.2	-192.0
Deposits at CBR, bln RUR	339.3	+33.6	+293.0	+224.6
Due from (to) CBR, bln RUR	16.6	-	-	-
Overnight RUR, %	2.25	-0.18	-	-
RUR/Bi-currency basket	29.67	0	+0.01	-0.01
Crude oil (Brent), USD/barrel	53.0	+1.3	-10.5	-7.7
RTSI	1798	-3	-55	-112

Sources: DataStream, Bloomberg, MDM, company data



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