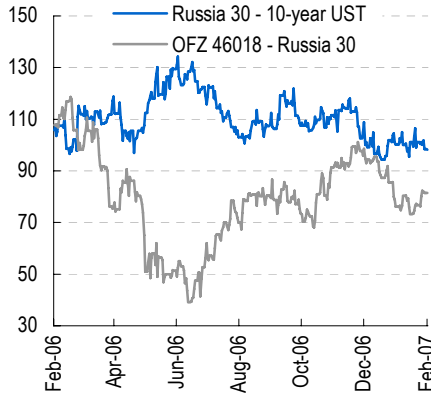
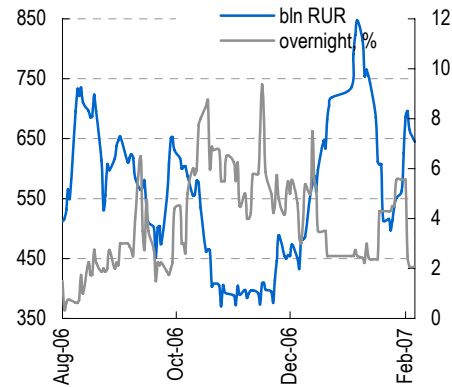


Monday, February 12, 2007

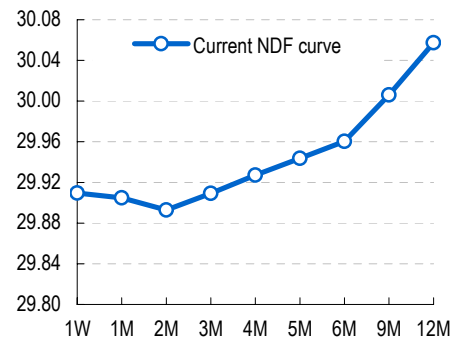
Russia 30-UST and OFZ-Russia 30 spreads, bp



Rouble liquidity available at banks, overnight



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



EVENT CALENDAR

13-Feb	US Trade Balance
14-Feb	Bernanke report on fed policy
15-Feb	New issue: RUB bonds Transmash-2
15-Feb	New issue: RUB bonds Ust-Luga-1
20-Feb	New issue: RUB bonds Mitland Food-1
February	New issue: R/\$ bonds Ursa-Bank
February	New issue: RUB bonds Belon-2

NEWS AND COMMENTS

- **Brief: Kommersant reported on Friday that state-controlled Rosoboronexport (NR) and AFK Sistema (B3/B+/B+) agreed on the buyout of NPO Saturn controlling stake from Y. Lastochkin, its major owner. They also registered a management company for Russia's aviation engine manufacturing corporation which would include NPO Saturn (NR), Perm Motors (NR) and UMPO (NR). Saturn's rouble bond issue traded up on Friday on the back of news (+80bp; YTP 8.4%). We think that UMPO (9.1%) as well as Perm Motors (9.5%) rouble bonds are now more interesting.**
- **Brief: Standard & Poor's affirmed Nurbank's rating at B/Stable after the news of the arrests of the bank's ex-executives. As we said earlier in our comments from February 8, we also don't see any material risks to the credit profile of Nurbank emerging from the arrests and related noise. We expect prices in NURBAN 11 (98.50; 9.78%) to recover further.**
- **Brief: WBD (B2/B+) placed its 2nd Eurobond issue worth USD150 mn with 7.50% coupon and maturity in May 2008. As a reminder, the first issue of WBD' USD150 mn Eurobonds will also mature in May 2008. We assume that the idea is to refinance both issues with a larger and more liquid bond. We think that the new deal increases refinancing risks for WBD. Since the company plans to use the proceeds from the new issue to finance investments, we expect WBD's leverage to increase (1.6x at September 30, 2006). Increased leverage reduces the likelihood of rating upgrades, despite very solid results of WBD in 2006.**
- **Brief: IFC (Aaa/AAA) may invest USD100 mn in the equity of MDM Bank (Ba2/BB-/BB-). We believe this is good news for MDM Bank's bondholders.**
- **Brief: Wal-Mart (Aa2/AA) is seeking a partner in Russia, according to Vedomosti. The news confirms the substantial acquisition appetite in Russia's food retail.**

MARKET COLOR

- **Eurobonds:** Relatively quiet trading day on Friday. **Russia 30** keeps trading at 99-100bp over UST. In the corporate segment we have seen some trading interest in **GMKNRU 11** (YTM 5.93%) and **SUEK 08** (7.25%). We believe there is still some 25bp upside in the SUEK issue following the news of its alliance with Gazprom (A3/BBB/BBB-). In the primary market **Soyuz Bank** priced its USD125m 3-year issue at 9.375%. **Cascade GES** (6yr; 60m; a story of convergence with Baa3-rated HydroOGK) was apparently closed at 10.5%, 150bp below initial guidance. We think that there is still good price upside (target 9% when Cascade becomes a subsidiary of HydroOGK).
- **Rouble bonds:** Flat trading in the first tier. In the 2nd tier **NPO Saturn**, **UMPO**, **Integra** and **Sibacadembank** were among the most popular names on the bid side. In the primary segment **National Factoring Company** priced a RUR1.2bn issue at 9.75%.

KEY MARKET INDICATORS

	Close	Change		
		1 day	1 week	1 year
UST 10 Year Yield, %	4.78	+0.05	0	+0.08
EMBI+ Spread, bp	170	-2	-9	+1
EMBI+ Russia Spread, bp	98	-4	-6	+2
Russia 30 Yield, %	5.77	+0.02	-0.01	+0.12
OFZ 46018 Yield, %	6.58	+0.01	+0.04	+0.06
Cash accounts at CBR, bln RUR	367.8	-0.5	-173.7	-298.3
Deposits at CBR, bln RUR	277.2	-19.6	-28.5	+162.5
Due from (to) CBR, bln RUR	67.6	-	-	-
MOSPRIME O/N RUR, %	3.28	+0.36	-	-
RUR/Bi-currency basket	29.93	-0.04	+0.26	+0.25
Crude oil (Brent), USD/barrel	59.0	0	+6.1	-1.7
RTSI	1886	+7	+88	-24



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