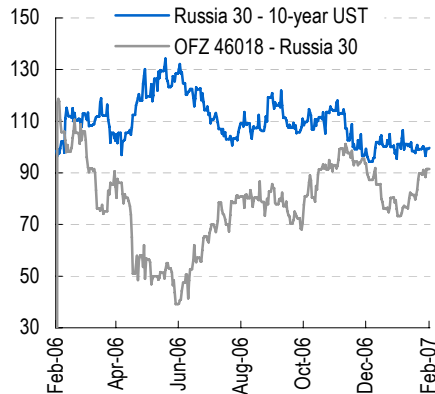
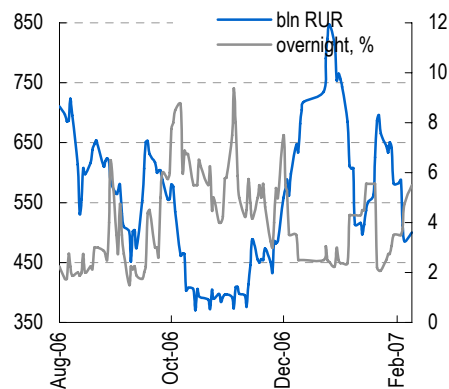


Monday, February 26, 2007

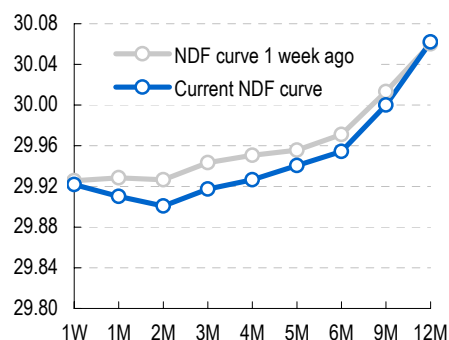
Russia 30-UST and OFZ-Russia 30 spreads, bp



Rouble liquidity available at banks, overnight



NDF on a basket of 0.55 USD+0.45 EUR (in RUR)



EVENT CALENDAR

27-Feb	New issue: RUB bonds TGK-6-Invest
27-Feb	Mirax Group CLN roadshow
27-Feb	New issue: RUB bonds Radionet-1
27-Feb	New issue: RUB bonds STONE-Finance
27-Feb	New issue: RUB bonds OIGK-1
28-Feb	EUROCHEM new issue roadshow
1-Mar	New issue: RUB bonds Belon-2
2-Mar	New issue: RUB bonds Amurmetall-2

NEWS AND COMMENTS

- **Brief:** Kazanorgsintez (KZOSRU; B-/B) and Gazprom's subsidiary SIBUR (Ba2/BB) are conflicting over a supply/delivery contract (Source: RBCdaily). We are yet unable to fully assess the credit implications of this news. Still, we tend to view the development as credit-negative for KZOS given the stronger negotiation power of Gazprom/SIBUR group, which represents a key operating counterparty for a Tatarstan-based petrochemical company. KZOSRU 11 issue is currently trading at 8.75%, still some 60bp over a NKNK 15_12, which has comparable credit metrics.
- **Brief:** Oil service group Integra's (NR) has successfully completed an IPO, having raised over USD600 mn of additional equity. No doubt, this is a credit-positive event. As a reminder, the company pursues a very aggressive financial policy, growing through acquisitions (debt at FYE06 around USD500m, vs EBITDA of less than USD90m). Listing and massive equity injection should reduce re-financing risks for Integra in the short term. Still, as far as we understand, the bulk of proceeds will be used to finance new acquisitions. Given this as well as high integration risks and increasing competition from global majors, our credit outlook for Integra is neutral-to-negative. The yields for Integra-1 (10.44%) and Integra-2 (10.65%) rouble issues, in our view, do not suggest any further tightening upside.
- **Brief:** Standard & Poor's upgraded Gazprombank from BB+ to BBB-, and raised Transkreditbank from B- to BB-. The latter was caused by announcement of a presidential decree about transferring 75% Transkreditbank's shares to the Russian Railways (A3/BBB-). As far as we understand, Transkreditbank may soon announce its debut RUB and foreign currency bonds.

MARKET COLOR

- **Eurobonds:** We have seen some selling in KyivStar (Ba3/BB-) issues following the news that the company is at risk of violating a disclosure covenant after one of its shareholders (Altimo) has effectively blocked the audit. In the primary market Transneft closed its debut 7-year deal at 5.67% (MS+55bp, USD1.3bn), which went below par (99.5) in the secondary trading. Russia's petrochemical giant Eurochem (Fitch BB-) announced a debut Reg-S transaction, while Russian Agricultural Bank said it will do a CHF deal. Gazprom said it will do a 10-year tranche in EUR and a 15-year tranche in USD.
- **Rouble bonds:** Liquidity conditions are gradually deteriorating on tax payments as well as cash reservations for Sberbank IPO participation. We are seeing some soft selling in the OFZs and first tier bonds on the back of higher overnight rates. Market in the 2-3 tier remains solid. Bonds of textile group Alliance Russian Textile (NR) have sold off on Thursday following reports of a major shareholder conflict.

KEY MARKET INDICATORS

	Close	Change		
		1 day	1 week	1 year
UST 10 Year Yield, %	4.67	-0.06	-0.21	-0.03
EMBI+ Spread, bp	168	+4	0	-1
EMBI+ Russia Spread, bp	98	+1	+1	+2
Russia 30 Yield, %	5.67	-0.03	-0.22	+0.02
OFZ 46018 Yield, %	6.58	0	-0.04	+0.06
Cash accounts at CBR, bln RUR	407.6	+23.5	+18.5	-258.5
Deposits at CBR, bln RUR	92.5	-8.4	-31.6	-22.2
Due from (to) CBR, bln RUR	50.5	-	-	-
MOSPRIME O/N RUR, %	5.67	0	-	-
RUR/Bi-currency basket	29.91	-0.01	+0.25	+0.23
Crude oil (Brent), USD/barrel	60.9	+0.3	+5.6	+0.2
RTSI	1934	+29	+78	+24



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