

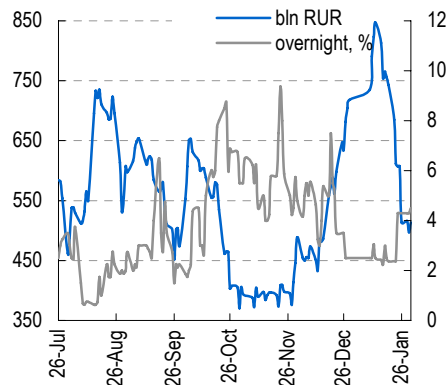
Tuesday, February 06, 2007

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

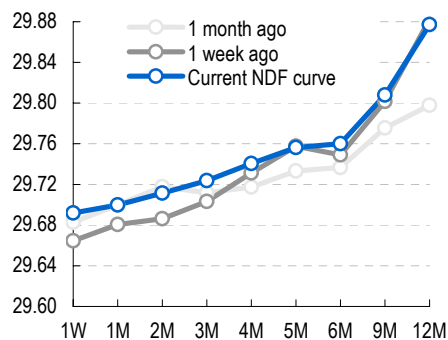
	Close	Change		
		1 day	1 week	1 year
UST 10 Year Yield, %	4.80	-0.02	+0.15	+0.10
EMBI+ Spread, bp	166	+1	-10	-3
EMBI+ Russia Spread, bp	99	0	-4	+3
Russia 30 Yield, %	5.81	-0.02	+0.15	+0.16
OFZ 46018 Yield, %	6.57	-0.03	+0.05	+0.05
Cash accounts at CBR, bln RUR	414.6	+2.5	-251.5	-251.5
Deposits at CBR, bln RUR	211	+59.7	+159.3	+96.3
Due from (to) CBR, bln RUR	49.0	-	-	-
MOSPRIME O/N RUR, %	3.35	0	-	-
RUR/Bi-currency basket	29.66	-0.02	-0.02	-0.02
Crude oil (Brent), USD/barrel	58.1	-0.3	+2.5	-2.6
RTSI	1905	+8	-17	-5

Sources: DataStream, Bloomberg, MDM, company data

### Rouble liquidity available at banks, overnight



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



### EVENT CALENDAR

February 7	Finansbank rouble bond issue
February 8	AHML-9 rouble bond issue
February 8	Arsenal rouble bond issue
February	Belon-2 rouble bond issue
January-February	New issues Caspian Bank, Alfa Bank, FUJ Bank, WBD, Ukrsofsbank

### NEWS AND COMMENTS

- **Brief: Kopeyka food retailer (S&P B-)** reported 2006 top line at USD980 mn (+70.5% y-o-y). The company's latest detailed financial report covered only 2005. Given the aggressive expansion of the company in 2006, we estimate its leverage has increased to at least 4x (3x at 2005FYE). Kopeyka is currently controlled by Uralsib Financial Corporation, which we think will soon sell this non-core asset to a stronger Russian or foreign food retail chain. Hence we believe that the spreads of Kopeika-1 (9.33%) and Kopeika-2 (9.49%) over X5 yield curve (120bp) are quite attractive. However, the price upside is currently limited due to the forthcoming new Kopeika rouble issue.
- **Brief: V. Shvetsov, CEO of Severstal-AVTO (NR)** CEO increased his stake in the company from 8.7% to 58%. He bought the block from A. Mordashov, the major owner of Severstal (B1/BB-/BB-). We deem the news as moderately negative for the creditors of Severstal-AVTO, as in our view Shvetsov's opportunities to support the company in a stress scenario are considerably lower than those of Mordashev. However, we do not expect any reaction to the news in Severstal-Avto-1 (YTM 8.16%) bond issue.
- **Brief: DIXY (NR)** food retail chain reported USD1.1 bn revenues in 2006 (+26.3% y-y). We point out that DIXY demonstrates the lowest growth rate amongst Russia's major food retail chains. We estimate the company's 2006 EBITDA as USD42 mn and debt/EBITDA at 6x. That said, we believe its leverage will not deteriorate further. We believe, that despite certain management challenges, DIXY will still be able to conduct an IPO (its committed to doing one) or will be sold to a stronger retail chain. Therefore, we view the Dixy-Finance-1 5-year rouble bonds (92.0; 12.1%) quite attractive for investors with 12 months or longer investment horizon. The bonds have sold off severely on the back of disappointing financial results and shift of IPO schedule. We think that now could be the right time for bottom-fishing in the bonds.
- **Brief: Fitch upgraded MMK to BB/Stable**, the Republic of Tatarstan to BB+/Stable, AK Bars Bank to BB-/Stable. Fitch also affirmed B+/Stable for Republic Sakha (Yakutia). Price action could take place in the bonds of AK BARS (7.93%) and SINEK 2015\_12 (7.57%, Tatarstan-guaranteed issue). Standard & Poor's upgraded Red Arrow transaction to BBB+.

### MARKET COLOR

- **Eurobonds:** Flat trading in the secondary market with very few trades in the corporate bonds. In the primary market Bank Souyz (B1/B-), which is a part of a gigantic Basic Element group (owns RUSAL), released price talk on its 3 year bond at 9.375%. We like the yield, which offers 100bp over PETRRU 09-2 (8.30%). Petrocommerce (Ba3/B+) has stronger numbers but also belongs to a large financial industrial group.
- **Rouble bonds:** Market sentiment remains moderately positive. Central Bank started buying currency in the FX market. Gazprombank (A3/BB+) placed a 3-year Euroclearable rouble bond at 7.25%, size 10bn.

### KEY MARKET INDICATORS

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