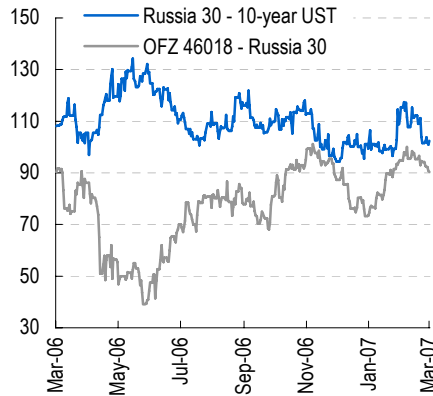
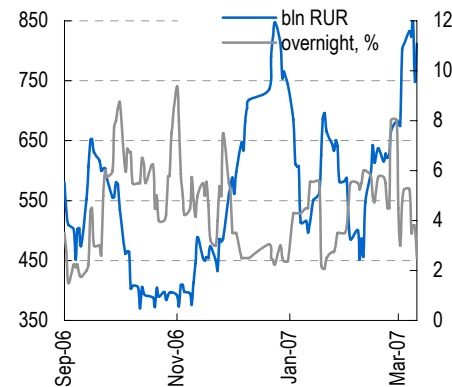


Friday, March 30, 2007

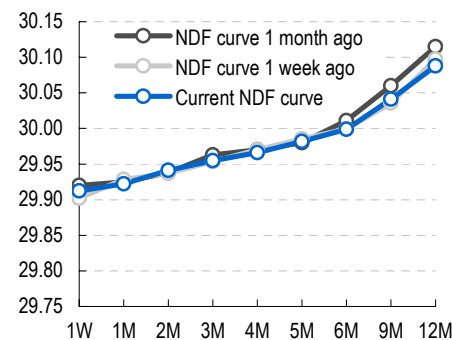
### Russia 30-UST and OFZ-Russia 30 spreads, bp



### Rouble liquidity available at banks, overnight



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



### EVENT CALENDAR

30-Mar	New issue: RUB bonds Magnit-2
30-Mar	Core PCE FEB
2-Apr	ISM Manufacturing Index MAR
3-Apr	New issue: RUB bonds Parket-Hall-1
3-Apr	New issue: RUB bonds YarRegion 34007
3-Apr	New issue: RUB bonds Sevkael-3
3-Apr	New issue: RUB bonds Amazonit-1
4-Apr	New issue: RUB bonds ASPEK-1

### NEWS AND COMMENTS

- **Brief: Lev Khasis, CEO of X5 (B1/BB-)** said, the company might soon announce a USD1-2 bn share issue. The proceeds might be used for acquisitions. He also said that at the moment the company views equity financing as a more preferable option vs ruble bonds (Source: Bloomberg). In our view, this doesn't mean the company has completely given up on its ruble bond issuance plans (25bn announced earlier). Nevertheless, the news should be supportive for its outstanding **Pyatorochka-1** (8.25%) and **Pyatorochka-2** (8.44%) issues.
- **Brief: Moody's raised the bond ratings on WDFRU 08, EVRAZ 09 and NKCRU 15\_12** by one notch from B2 to B1 on application of its loss-given default methodology. Essentially Moody's is refining its approach to notching down unsecured bonds for structural subordination (vs secured debt or debt of subsidiaries). We doubt that the rating actions will have any impact on the prices of affected bonds.
- **Brief: Sistema (B3/B+/B+)'s founder and chairman V.Yevtushenkov** told Bloomberg yesterday that the holding wants to spend USD1.5 bn on its non-telecommunication units in 2007. Among other things Sistema will focus on strengthening its banking asset – **MBRD (B1/NR/B)** via M&A with other banks. We believe that the news signal of potential credit-positive events for MBRD. The bank has three Eurobond issues outstanding: **MBRDRU 08** (7.30%; MS+210bp), **MMBRDRU 09** (7.64%; MS+265bp) and subord. **MBRD 16\_11** (9.02%; MS+405bp). News should be neutral for Sistema's bonds – its ratings should accommodate announced investments.
- **Brief: Moody's placed Kyevstar (Ba3/BB-)** on review for a possible downgrade due to the recent court restrictions on Kyivstar's public disclosure of its financial statements. As a reminder, S&P has decided not to change Kyevstar rating for now. OKST 12 (6.92%; MS+195bp) traded down yesterday by approx. ½.
- **Brief: Alliance Oil Company (NR)** is interested in acquiring some of YUKOS assets, and at the same time is postponing its IPO for the time being (Source: Kommersant citing the president of Alliance group). We believe that the news may trigger profit taking in Alliance's ruble bond issue (8.69%), which rallied on IPO expectations.

### MARKET COLOR

- **Eurobonds: Russia 30** is trading around 113 1/2, UST+102bp. **Bank Credit Europe** (formerly known as Finansbank Russia, Ba1) priced a 3 year issue at 7.50%, which we think is too tight for a relatively small consumer finance/SME bank in Russia, even after factoring in strong shareholders (190-200bp over HCFB).
- **Rouble bonds:** Solid bids across all segments on favourable money market conditions.

### KEY MARKET INDICATORS

	Close	Change		
		1 day	1 week	1 year
UST 10 Year Yield, %	4.64	+0.02	+0.07	-0.06
EMBI+ Spread, bp	168	-1	-17	-1
EMBI+ Russia Spread, bp	101	+1	-10	+5
Russia 30 Yield, %	5.65	+0.01	-0.01	0
OFZ 46018 Yield, %	6.56	0	-0.04	+0.04
Cash accounts at CBR, bln RUR	695.2	+52.4	+270.3	+29.1
Deposits at CBR, bln RUR	116.3	+10.6	+54.7	+1.6
Due from (to) CBR, bln RUR	-87.9	-	-	-
MOSPRIME O/N RUR, %	5.35	+2.48	-	-
RUR/Bi-currency basket	29.91	-0.01	-0.01	+0.23
Crude oil (Brent), USD/barrel	67.9	+2.1	+6.0	+7.2
RTSI	1940	0	+82	+30

Sources: DataStream, Bloomberg, MDM, company data



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