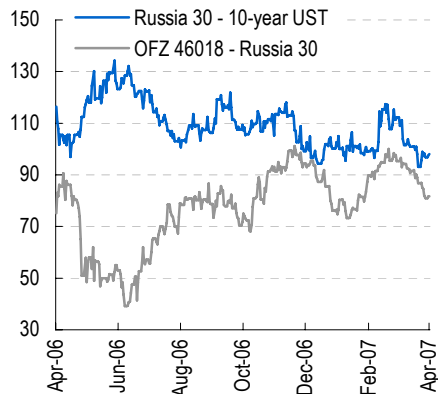
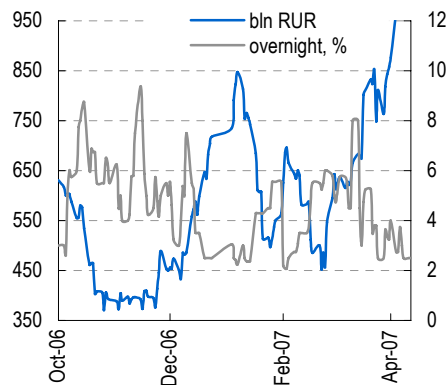


Tuesday, April 17, 2007

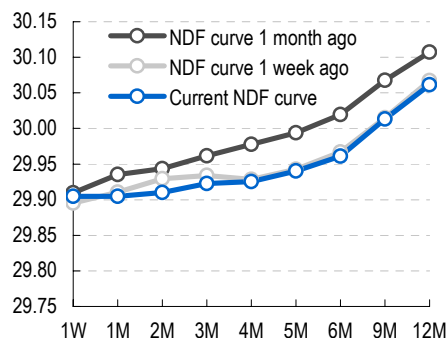
Russia 30-UST and OFZ-Russia 30 spreads, bp



Rouble liquidity available at banks, overnight



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



EVENT CALENDAR

17-Apr	New issue: RUB bonds AHML Altay-1
17-Apr	New issue: RUB bonds Uniastrum Bank-1
19-Apr	New issue: RUB bonds Zhilsocipoteka-2
19-Apr	New issue: RUB bonds GrossDistilleries-1
19-Apr	New issue: RUB bonds Ufaoil-OPTAN-1
20-Apr	VAT payments in Russia
20-Apr	New issue: RUB bonds TopProm-1
27-Apr	Excise duty, MET payments in Russia

NEWS AND COMMENTS

- **Brief: President Putin signed the decree to merge Transneft (A2/BBB+) and Transnefteproduct (B+)** through the share swap (Source: Reuters). In our view, the deal is credit-positive for both companies. However, we don't see any tightening potential in the TNEFT 14 (5.84%; 15bp over Russia 30) issue. Transnefteproduct does not have any bonds outstanding.
- **Brief: Kyivstar (Ba3/BB-) has started consent solicitation procedure** with regard to the change of the disclosure-related covenants in its OKST 09 (6.65%; ASW+150) and OKST 12 (6.84%; ASW+165) issues. Investors are offered 25bp consent fee as well as a put option in case Kyivstar's ratings are withdrawn or bonds are delisted. Given the fact that both issues are trading well above par, we think that the offer will be accepted by investors.
- **Brief: G. Gref, Minister of Trade and Economic Development said**, that inflation for the first 9 days of April in Russia hit 0.2% (Source: Reuters). The data overall is in line with the price dynamics seen in April last year (0.4% for the full month). It seems at the moment that the government and the CBR will be able to keep 2007 CPI within 8% without further nominal appreciation of the local currency.
- **Brief: Marta Holding (NR) has announced that its development arm – RTM – has received RUB7bn equivalent of new credit lines** from local banks. This signals to us that Marta maintains ability to raise financing. We believe that the group will meet its obligations with regard to a put on its 2nd issue (RUB1bn in size). The bonds of this highly leveraged group have been trading at YTW 25-40% few weeks now. In our recent report on Russia's distressed debt opportunities we recommended increasing exposure Marta's 1st and 3rd issue (trading around 90; c. 25% yield to maturity or put within 1 year).

MARKET COLOR

- **Eurobonds: Russia 30** still around 113.00, 96-97bp over UST. Two regional mid-sized banks have announced price talk on their upcoming deals at 9.75%. Those are **Gazbank** (B2; CLN issue; 3 years; put in 2 years) and **Tatfondbank** (B3/Pos; listed Eurobond; 3 years). Tatfondbank story sound a bit more appealing, since the bank is partly controlled by the regional authorities. TFB's issue may also be more liquid. One should note though that TFB's 10 month USD CLN is currently offered at 9.50%.
- **Rouble bonds:** Still a very solid market, supported by low money market rates. We see very little scope for further rally since the yields are close to historical lows, while the case for rouble strengthening is getting weaker. We recommend to take profits in the 1st tier and OFZs at current levels.

KEY MARKET INDICATORS

	Close	Change		
		1 day	1 week	1 year
UST 10 Year Yield, %	4.74	-0.02	+0.20	+0.04
EMBI+ Spread, bp	160	0	-22	-9
EMBI+ Russia Spread, bp	97	+1	-12	+1
Russia 30 Yield, %	5.71	-0.02	+0.04	+0.06
OFZ 46018 Yield, %	6.53	-0.01	-0.09	+0.01
Cash accounts at CBR, bln RUR	402.7	+6.0	-189.9	-263.4
Deposits at CBR, bln RUR	711.4	-6.7	+638.8	+596.7
Due from (to) CBR, bln RUR	0.0	-	-	-
MOSPRIME O/N RUR, %	3.08	0	-	-
RUR/Bi-currency basket	29.92	0	+0.01	+0.24
Crude oil (Brent), USD/barrel	67.3	-1.7	+7.0	+6.6
RTSI	2008	+6	+187	+98

Sources: DataStream, Bloomberg, MDM, company data



MDM Bank
Investment Division
 33/1 Kotelnicheskaya Nab.,
 Moscow, Russia 115172
 el. +7 (495) 795-2521

Managing Director, Head of Fixed Income Sales and Trading

Sergey Babayan

Sergey.Babayan@mdmbank.com

Sales: bond_sales@mdmbank.com

Corrado Taveggia	+7 495 787 94 52
Natalia Ermolitskaya	+7 495 960 22 56
Linaida Eremina	+7 495 363 55 83
Dmitry Omelchenko	+7 495 363 55 84
Darya Grischenko	+7 495 363 27 44

Fixed Income Trading

Nicolay Panyukov	Nicolay.Panyukov@mdmbank.com
Alexander Zubkov	Alexander.Zubkov@mdmbank.com
Evgeny Lysenko	Evgeny.Lysenko@mdmbank.com

Repo Desk

Alexei Bazarov	Alexei.Bazarov@mdmbank.com
Denis Anokhin	Denis.Anokhin@mdmbank.com

Head of Research

Alex Kantarovich, CFA

Alex.Kantarovich@mdmbank.com

Fixed Income

Mikhail Galkin	Mikhail.Galkin@mdmbank.com
Yelena Morozova	Elena.Morozova2@mdmbank.com
Denis Vodnev	Denis.Vodnev@mdmbank.com

Maxim Korovin	Maxim.Korovin@mdmbank.com
Dmitry Smelov	Dmitry.Smelov@mdmbank.com
Olga Nikolaeva	Olga.Nikolaeva@mdmbank.com

Metals & Mining

Andrey Litvin	Andrey.Litvin@mdmbank.com
---------------	---------------------------

Oil & Gas

Andrey Gromadin	Andrey.Gromadin@mdmbank.com
Nadya Kazakova	Nadezhda.Kazakova@mdmbank.com

Strategy, Economics, Banking

Alex Kantarovich, CFA	Alex.Kantarovich@mdmbank.com
Peter Westin	Peter.Westin@mdmbank.com
Irina Plevako	Irina.Plevako@mdmbank.com

Telecoms & Technology

Elena Bazhenova	Elena.Bazhenova@mdmbank.com
Ekaterina Generalova	Ekaterina.Generalova@mdmbank.com

Editors/Production

Nathan Gardener	Nathan.Gardener@mdmbank.com
Thomas Lavrakas	Thomas.Lavrakas@mdmbank.com
Ekaterina Ogurtsova	Ekaterina.Ogurtsova@mdmbank.com
Andrey Goncharov	Andrey.Goncharov@mdmbank.com
Mikhail Remennikov	Mikhail.Remennikov@mdmbank.com

Consumer/Industries

Elena Afonina	Elena.Afonina@mdmbank.com
Alexey Gogolev	Alexey.Gogolev@mdmbank.com

Utilities

George Lilis	George.Lilis@mdmbank.com
Vladislav Nigmatullin	Vladislav.Nigmatullin@mdmbank.com

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