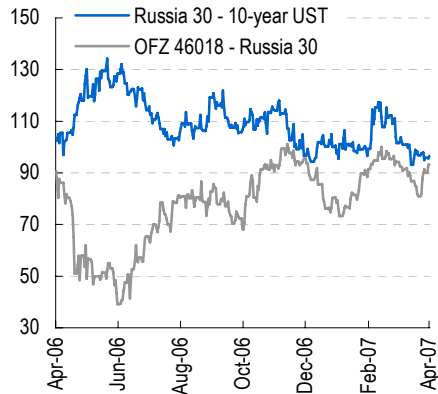
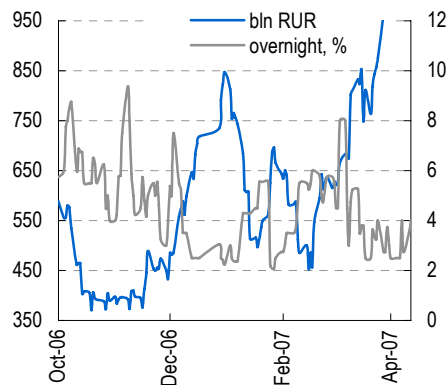


Tuesday, April 24, 2007

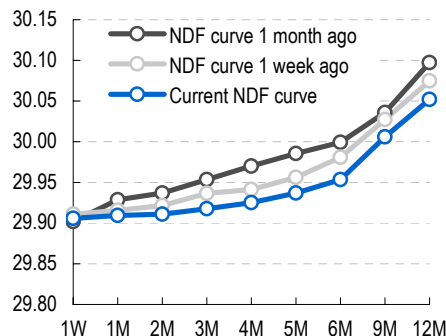
Russia 30-UST and OFZ-Russia 30 spreads, bp



Rouble liquidity available at banks, overnight



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



EVENT CALENDAR

24-Apr	New issue: RUB bonds VivatFinance-1
24-Apr	New issue: RUB bonds Bank Solidarnost-2
24-Apr	Consumer Confidence Index
24-Apr	Existing Home Sales
25-Apr	New issue: RUB bonds ULK Finance-1
25-Apr	New issue: RUB bonds Lenenergo-3
25-Apr	New issue: RUB bonds Intourist-1
25-Apr	New Home Sales

NEWS AND COMMENTS

- **Brief: Mirax Group (B2/NR/B) plans to sell some 20% of the shares** in MRC Mirax Skyscrapers to CSFB and thus raise some USD300m (Source: Vedomosti). MRC Mirax Skyscrapers is included in the group's pro forma statements, but is not directly controlled by the Russia-based holding. The parent company for MRC Mirax Skyscrapers is one of the guarantors on the CLN. We view the likely private equity deal as credit-positive. Ruble issues Mirax-1 (YTM 9.30%; CSS+380bp) and Mirax-2 (YTM 9.56%; CSS+360bp) appear slightly overpriced now vs the CLN Mirax 11_09 (9.00%; CSS+400bp).
- **Brief: European Bearing Corporation (EBC, NR) plans to simplify the legal structure of the group**, by transferring the stakes in some of the operating assets from offshore companies to the Russia-based holding company (Source: RBCDaily). In our view, these are credit-positive changes. The current ownership structure is described in our research http://www.invest.mdbank.com/common/data/pub/files/articles/296508/EBC_eng_final_20sep06.pdf. EBC-1 (10.0%) ruble issue and CLN EPKRU 09_08 (9.75%) are currently trading with similar spreads over swaps (around 500bp).
- **Brief: Fitch revised its outlook on Severstal's BB- rating to Positive from Stable** on better corporate governance following IPO. We are neutral on Severstal's 09s and 14s at current levels.
- **Brief: Moody's recalled the "preliminary" status of the Federal Grid Co.** Baa2 rating on the back of greater certainty with regard to the upcoming future of the company. The market didn't react to the news. FGC's ruble bonds are still trading at 40bp spread over Gazprom and Russian Railways that are rated 1-2 notches higher by S&P/Moody's. We doubt that the rating action would have any price implications.
- **Brief: Highland Gold (NR) posted a USD96m loss** in 2006. This is a one-off non-cash accrual due to the fire at one of the core mines. We still like the bond issue of the company (12.5%). Highland is already de facto controlled by **Barrick Gold** (Baa1/A-), the world's largest gold mining company.

MARKET COLOR

- **Eurobonds: LSS (S&P B)** a St.Petersburg-based construction & development company, has placed a USD100m CLN (5yr, 2yr put) at 9.75%, which implies some 75bp spread over **Mirax** CLN (B2/B, 2yr put, offered now at 9.00%). We think that the spread could be tighter as from a credit perspective the companies are not materially different.
- **Rouble bonds:** Plenty of liquidity in the banking system, but yield levels are close to historical lows and overall market looks somewhat overpriced vs Eurobonds (based on spreads to swaps). We see soft profit-taking. Many still prefer to get the carry on the long May holidays. Secondary trading activity is declining, primary issuance calendar still busy.

KEY MARKET INDICATORS

	Close	Change		
		1 day	1 week	1 year
UST 10 Year Yield, %	4.64	-0.03	+0.03	-0.06
EMBI+ Spread, bp	159	+1	-11	-10
EMBI+ Russia Spread, bp	95	-1	-5	-1
Russia 30 Yield, %	5.60	-0.03	-0.03	-0.05
OFZ 46018 Yield, %	6.53	0	-0.04	+0.01
Cash accounts at CBR, bln RUR	466.3	+94.2	-236.7	-199.8
Deposits at CBR, bln RUR	691.3	-15.8	+582.5	+576.6
Due from (to) CBR, bln RUR	152.6	-	-	-
MOSPRIME O/N RUR, %	3.15	-1.00	-	-
RUR/Bi-currency basket	29.91	0	0	+0.23
Crude oil (Brent), USD/barrel	68.2	+1.7	+5.0	+7.5
RTSI	1974	+2	+60	+64

Sources: DataStream, Bloomberg, MDM, company data



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