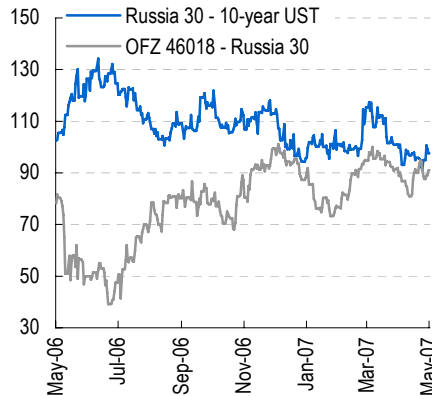
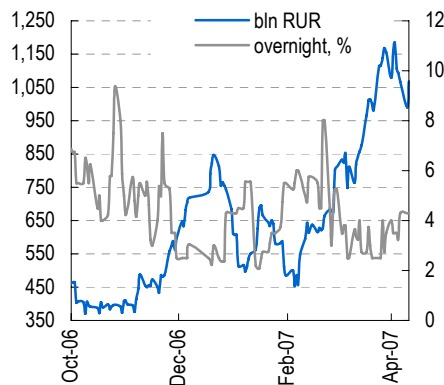


Thursday, May 03, 2007

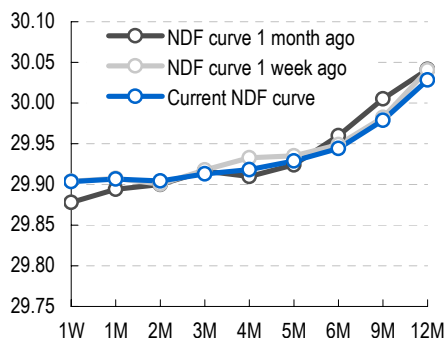
### Russia 30-UST and OFZ-Russia 30 spreads, bp



### Rouble liquidity available at banks, overnight



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



### EVENT CALENDAR

|        |                                       |
|--------|---------------------------------------|
| 3-May  | 9th and 10th YUKOS auctions           |
| 3-May  | ISM Non-Manufacturing Index           |
| 3-May  | New issue: eurobonds Transcreditbank  |
| 4-May  | Nonfarm Payrolls                      |
| 9-May  | FOMC Meeting                          |
| 14-May | VTB IPO completion                    |
| 15-May | New issue: RUB bonds Sibacademstroy-1 |
| 15-May | Social tax payments in Russia         |

### NEWS AND COMMENTS

- **Brief:** Commerzbank (A/A2/A) is not planning to increase its stake (15.3%) in Russia's Promsvyazbank (Ba3/B+; PROMBK; Source: Bloomberg citing Sueddeutsche Zeitung). The news does not change our view with regard to the likelihood of an acquisition of PROMBK by a foreign major. We believe that the bank's controlling shareholders will continue to look for a buyer. Reaction in PROMBK bonds issues was very muted as the bond spreads currently do not factor in the acquisition.
- **Brief:** Norilsk Nickel (Baa2/BBB-/BBB-) offered USD4.8bn for Canada's LionOre, a nickel company. We believe that the balance sheet of the Russian nickel giant is so strong that its current ratings can accommodate a much larger acquisition (EBITDA approaching USD10bn and negligible net debt). The short-dated GMKNRU 08 (5.65%) issue will unlikely move.
- **Brief:** MegaFon (Ba3/BB/BB+) has published solid 2006 financials, posting positive free cash flow and Net debt/EBITDA around 0.7x. The MEGAFO 09 (6.20%) issue is currently trading flat to the MOBTEL-VIP curve, which we think is fair.
- **Brief:** President Putin suggested that the Moscow oblast Parliament affirms Boris Gromov as the governor of the region (Ba2/BB; Source: ITAR-TASS). In our view, this greatly mitigates the risk of changes in the regional administration over the next 1.5-2 years at least (Mr. Gromov's term was due to expire soon). We believe the news will support the bonds of the Moscow oblast's subsidiaries MOIA-1 (a regional mortgage agency; 8.36%), MOITK-1 (9.03%; Moscow Regional Investment Trust Company) and Mosoblgas-1 (9.14%; gas distribution utility). The news can be also viewed as supportive for RIGroup-1 (12.19%) and MZB-1 (11.90%) – these are small financial institutions whose business is largely dependent on good relations with the Moscow Oblast administration.

### MARKET COLOR

- **Eurobonds:** Very low activity in the secondary market, spreads are almost unchanged. Primary market is the key source of news these days. Transcreditbank (Ba3/BB-) revised price talk on its debut 3-year issue to 7.0-7.25%. We still view that as attractive (see our comment yesterday). Other names coming to the market shortly include NMTP sea port and Rapsadskaya mine (both yet unrated; USD300m; 5 years), URSAP (EUR; 3 years); RSHB (USD; 10 years); BTAS (GBP; 5 years) and even Belarusbank (B-; USD100m; 1 year; going to be the first Eurobond issue from Belarus).
- **Ruble bonds:** Still a very quiet market. The ruble issue of Bank Renaissance Capital (B2/B; 10.4%) is entering secondary trading today. We like the bank and view the bond as attractive. Euroclearable RUB issues of RCCF are trading around 9.5%.

### KEY MARKET INDICATORS

|                               | Close | Change |        |        |
|-------------------------------|-------|--------|--------|--------|
|                               |       | 1 day  | 1 week | 1 year |
| UST 10 Year Yield, %          | 4.64  | 0      | 0      | -0.06  |
| EMBI+ Spread, bp              | 163   | +1     | -3     | -6     |
| EMBI+ Russia Spread, bp       | 97    | -2     | -2     | +1     |
| Russia 30 Yield, %            | 5.62  | -0.01  | -0.03  | -0.03  |
| OFZ 46018 Yield, %            | 6.53  | +0.01  | -0.04  | +0.01  |
| Cash accounts at CBR, bln RUR | 443.7 | +32.7  | -31.9  | -222.4 |
| Deposits at CBR, bln RUR      | 624.3 | +45.8  | +281.7 | +509.6 |
| Due from (to) CBR, bln RUR    | 148.0 | -      | -      | -      |
| MOSPRIME O/N RUR, %           | 3.46  | -0.79  | -      | -      |
| RUR/Bi-currency basket        | 29.91 | 0      | 0      | +0.23  |
| Crude oil (Brent), USD/barrel | 66.3  | -0.7   | -1.5   | +5.6   |
| RTSI                          | 1912  | -24    | -9     | +2     |



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