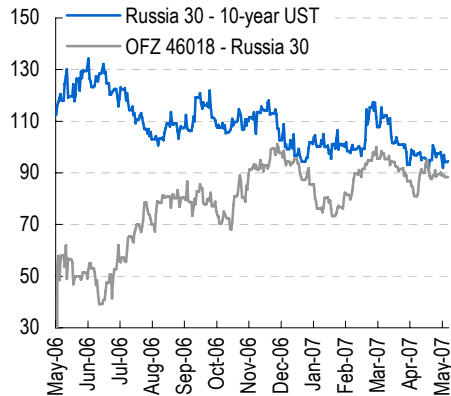
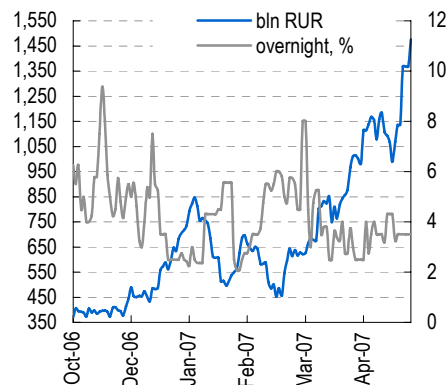


Tuesday, May 22, 2007

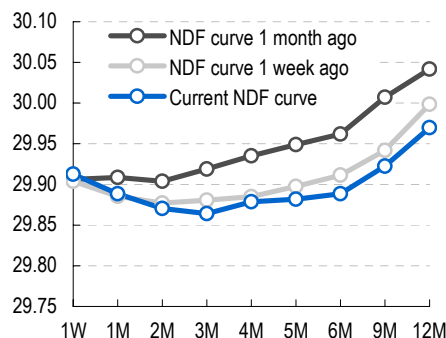
Russia 30-UST and OFZ-Russia 30 spreads, bp



Rouble liquidity available at banks, overnight



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



EVENT CALENDAR

22-May	New issue: RUB bonds Setl Group-1
22-May	New issue: RUB bonds Development-Yug-1
22-May	New issue: RUB bonds VolgRegion
23-May	New issue: RUB bonds UniConf-1
23-May	Durable Goods Orders
23-May	New issue: RUB bonds Bahette-1
23-May	New issue: RUB bonds AHML-1A,2B,3V
24-May	New issue: RUB bonds Promsvyazbank-5

NEWS AND COMMENTS

- **Brief: The Initial Public Offering of RTM, a construction and development arm of Marta holding (NR)**, is likely to be completed successfully. Reuters reports that the book is oversubscribed and due to be closed today. In our view, the deal will reduce refinancing risks for Marta group. We still consider bonds Marta-Finance-1 and Marta-Finance-3 (prices \approx 96.0; YTW \approx 20% on both) as attractive from risk/yield perspective. When we first issued our recommendation on these bonds back in mid-April (see our Distressed Debt report), the bonds were trading around 90.0.
- **Brief: TMK (B2/B+) posted IFRS 2006 financials.** Top line was USD3.4 bn, EBITDA was USD793 mn, Net debt/EBITDA stood at 0.9x. TMK's M&A appetite is perhaps the key risk now for bondholders now, although not a significant one (2007 acquisition budget of USD2 bn has been announced). Anyway, at current levels (approx. 150bp over swaps) we don't see any spread tightening potential in TMK's bonds.
- **Brief: Rosinter Restaurants (NR)**, one of Russia's leading operators of casual dining, has launched an IPO. The plan is to sell some USD60m worth of new shares. This will clearly help strengthen the company's balance sheet. The more liquid 3rd ruble issue of Rosinter is offering 10.5% to put in November 2007, which looks pretty attractive. The company had USD219m of sales and Debt/EBITDA of c.3.0x in 2006.
- **Brief: President Putin's and government officials'** recent remarks about the inflation (will not exceed the limit of 8.0%) and ruble appreciation (no negative impact on the economy yet registered) increase the chances that the Central Bank will let ruble to nominally appreciate against the basket under increased pressure from capital inflows. A chart on the left shows that investors have been actively buying in the ruble appreciation idea over the last weeks, moving the NDF curve. This is supportive for the ruble bond market.

MARKET COLOR

- **Eurobonds: RUSSIA 30** is still trading around 113.00, 92bp over UST. **National Bank Trust (B1/NR/B-)** priced its debut 3-year USD issue at 9.375%, almost flat to the TIBRU 09 issue of its affiliate Investment Bank Trust (B1). **Gazprom** is due to announce price talk on its new GBP and EUR deals.
- **Ruble bonds:** Continued strength in both new issuance and secondary trading. Today two regional construction companies – **Setl Group** and **SIK** - are pricing their debut issues (RUB1bn each, price talk 12-13%).

KEY MARKET INDICATORS

	Close	Change		
		1 day	1 month	1 year
UST 10 Year Yield, %	4.78	-0.02	+0.11	+0.08
EMBI+ Spread, bp	153	+2	-5	-16
EMBI+ Russia Spread, bp	93	+7	-3	-3
Russia 30 Yield, %	5.72	+0.03	+0.09	+0.07
OFZ 46018 Yield, %	6.45	0	-0.08	-0.07
Cash accounts at CBR, bln RUR	414.8	-15.4	-43.1	-251.3
Deposits at CBR, bln RUR	1161.2	-33.0	+463.4	+1046.5
Due from (to) CBR, bln RUR	33.9	-	-	-
MOSPRIME O/N RUR, %	2.88	+0.02	-	-
RUR/Bi-currency basket	29.92	+0.01	+0.01	+0.24
Crude oil (Brent), USD/barrel	70.5	+1.1	+4.0	+9.8
RTSI	1867	+7	-105	-43

Sources: DataStream, Bloomberg, MDM, company data



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