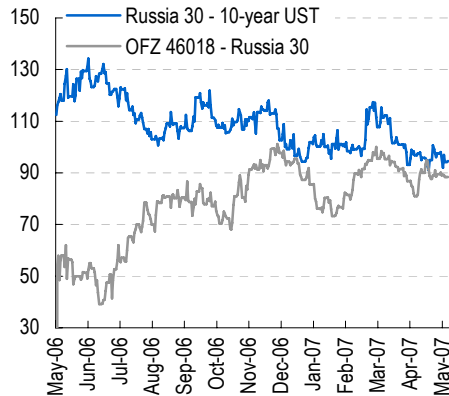
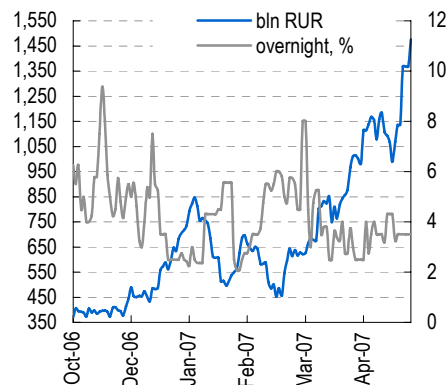


Wednesday, May 23, 2007

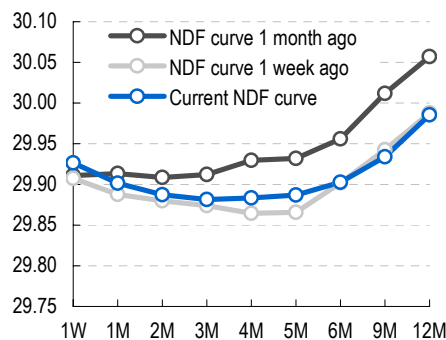
Russia 30-UST and OFZ-Russia 30 spreads, bp



Rouble liquidity available at banks, overnight



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



EVENT CALENDAR

23-May	New issue: RUB bonds UniConf-1
23-May	New issue: RUB bonds Bahettle-1
23-May	New issue: RUB bonds AHML-1A,2B,3V
24-May	Durable Goods Orders
24-May	New issue: RUB bonds Promsvyazbank-5
24-May	New issue: RUB bonds Tomsk-34001
24-May	New issue: RUB bonds SpecStroy2-1
25-May	Excise duty, MET payments in Russia

NEWS AND COMMENTS

- Brief: Irkut (B1/Positive), the famous Sukhoi jet maker, posted 2006 IFRS results.** Top line grew to USD832 mn (+18% y-o-y), while EBITDA margin slid to 14% (25% in 2005) due to ruble appreciation and growth in metals/spare parts prices. Lower margin resulted into deterioration of Debt/EBITDA from 4x to around 6.0x. At any rate, Irkut's bonds are not trading on financial results, but on its strategic importance and the high likelihood of state support. The ruble issue Irkut-3 (7.42%; Z-swaps+128bp) is also affected by its recent inclusion in A1 listing. The company's shorter CLN issue IRKUT 09 (6.89%, Z-swaps+172bp) looks more attractive from a spread over swaps perspective.
- Brief: Fitch affirmed NOMOS Bank at B+/Stable following the news of NOMOS/HCFB banking alliance.** In its press-release, Fitch points out at potential scale and diversification benefits. At the same time, the rating agency warns that full integration may have negative implications for the credit profile of NOMOS given the lower quality of HCFB's loan portfolio. The important question still unclear is the shareholding structure of the banking holding. Regardless, we think that the alliance will be credit-beneficial for both banks and view the recent positive reaction in HCFB and NOMOS bonds as justified (see also our comments of May 17 and 18).
- Brief: Russian Machines, which is part of Mr. Deripaska's Basel empire** (core owner of RUSAL, world's largest aluminium co), reportedly plans to buy 50% of a railway carriage-maker Ruzkhimmash (NR). Given the top quality of Basel's management team, and its ability to support its projects, we believe the deal will reduce credit risks of Ruzkhimmash. VKM-Finance bonds, where Ruzkhimmash is a guarantor, are trading now at 10% to maturity in June 2008. The company's Debt/EBITDA as of end-2006 was 6x, but should improve in 2007 due to expected higher demand for railcars from Russian Railways. We believe the VKM-Finance bonds may tighten 20-30bp on the back of the news.

MARKET COLOR

- Eurobonds: RUSSIA 30** is trading around 113 5/8, 91bp over UST. Demand seen yesterday in longer-dated banking bonds. Sitronics (B3/NR/B-), a subsidiary of AFK Sistema, announced early redemption plans with regard to the SITFIN 09 issue. Unfortunately we only have the draft of the offering documentation, hence we don't know the buy back price.
- Ruble bonds:** Still a very strong market with buying interest across all sectors. AiZHK, the state-owned mortgage Agency, is pricing today its first mortgage-backed bonds.

KEY MARKET INDICATORS

	Close	Change		
		1 day	1 month	1 year
UST 10 Year Yield, %	4.83	+0.05	+0.16	+0.13
EMBI+ Spread, bp	150	-3	-8	-19
EMBI+ Russia Spread, bp	86	-7	-10	-10
Russia 30 Yield, %	5.72	0	+0.09	+0.07
OFZ 46018 Yield, %	6.44	-0.01	-0.09	-0.08
Cash accounts at CBR, bln RUR	411	-3.8	+38.9	-255.1
Deposits at CBR, bln RUR	1177	+15.8	+469.9	+1062.3
Due from (to) CBR, bln RUR	5.4	-	-	-
MOSPRIME O/N RUR, %	2.88	0	-	-
RUR/Bi-currency basket	29.92	0	+0.01	+0.24
Crude oil (Brent), USD/barrel	69.5	-1.0	+1.3	+8.8
RTSI	1861	-6	-113	-49

Sources: DataStream, Bloomberg, MDM, company data



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