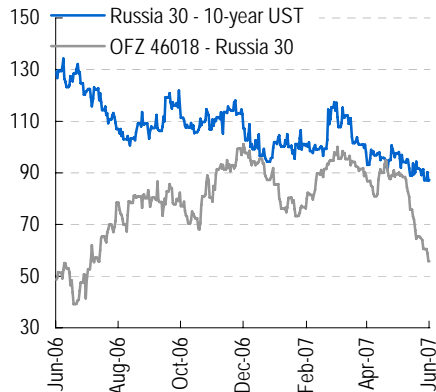
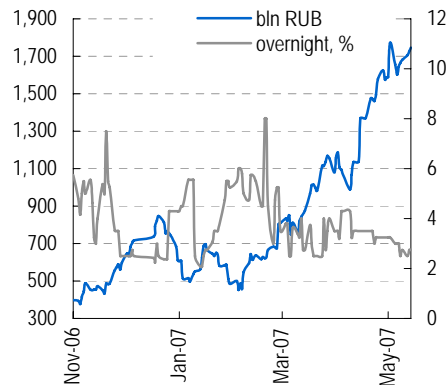


Wednesday, June 06, 2007

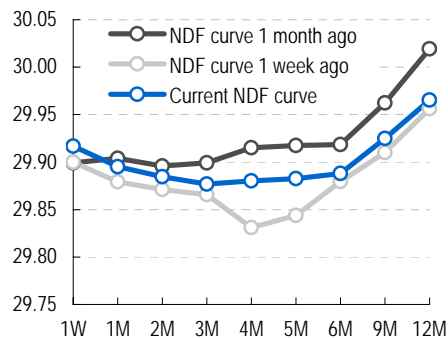
Russia 30-UST and OFZ-Russia 30 spreads, bp



Rouble liquidity available at banks, overnight



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



EVENT CALENDAR

6-Jun	New issue: RUB bonds Konditer-Kursk-1
6-Jun	New issue: RUB bonds UTK-5
7-Jun	New issue: RUB bonds Maheev-1
7-Jun	New issue: RUB bonds Bank Spurt-2
7-Jun	New issue: RUB bonds TGK4-1
8-Jun	New issue: RUB bonds NPO Saturn-3
13-Jun	Income tax payments in Russia
13-Jun	New issue: eurobonds Rolf

NEWS, IDEAS AND COMMENTS

- **Brief: We think that the currently marketed CLN of Finance Leasing Company (FLC, unrated) is quite interesting.** The issue parameters are: USD100m, maturity in 4 years, put in 2 years, price-talk 9.25%. FLC is a captive leasing vehicle for the recently established state-controlled United Aircraft Corporation. At this stage FLC is servicing UAC's needs when the companies of UAC group are buying new equipment (using financial lease). Later on, when Sukhoi SuperJet is developed (one of the flagship products of UAC), FLC should be able to provide financial lease to the buyers of SuperJet. FLC is very well capitalized (Equity/Assets ratio at 46% in 2006, Assets of USD575m). Federal government currently owns 40.2% of FLC with UAC holding additional 37.3%. The state is due to provide a series of capital injections into FLC and subsequently transfer its stake over to UAC. We have seen respective lines in the Federal Budget-2007 (regarding equity injections), which is quite encouraging. We think that despite high concentrations, the quality of FLC's lease portfolio should be fine, given the strong state support provided to strategically important UAC as well as UAC's large portfolio of long-term contracts. Ruble bonds of the members of UAC as well as related companies are currently trading at 8% and below (1-3 years risk). The proposed CLN of FLC is offering 9.25% for 2 years, which (when swapped into RUB) suggests some 150bp premium or more over "UAC curve". We think that's attractive. For comparison, the less transparent RTK Leasing (NR), which is servicing Svyazinvest group, is trading some 65bp over Svyazinvest curve.
- **Brief: Rolf, the largest auto dealer in Russia, is expected to receive international credit ratings in the BB category,** according to the arrangers of Rolf's debut Eurobond issue. In our view, high ratings (on a par with Russia's leading food retailer X5, rated B1/BB-) will prompt investors to reconsider their credit views on auto dealers. We expect the news as well as a successful bond placement of Rolf at some 8% or below to trigger demand for ruble bonds of smaller autodealers: Incom-Lada (11.7-12.0%), Avtomir (10.5%) and Atlant-M (12.1%).
- **Brief: Inflation in May hit 0.6%, up 0.1pp y-o-y.** We continue to see how the impressive results in curbing inflation achieved in 1Q07 (-1.6pp) are being eroded (+0.2pp in April) on the back of massive capital inflow seen in March/April. This supports expectations of ruble appreciation as observers think that's the only way for Central Bank to keep 2007 inflation within the 8.0% target level (9.0% in 2006).

MARKET COLOR

- New USD deals have been announced by **Nutritek** and **Transneft** as well as by Ukrainian **Bank Finance & Credit** and a **local railways** monopoly. Gazprom tapped its **GAZPRU 13 GBP** issue at 99.40. In ruble bonds UTK (Svyazinvest telecom) is placing a RUB2bn issue with a lot of demand seen from investors (7.7% for 3 years). In the secondary market we see profit-taking at the long end of the curve on the back of soaring UST/Eurobond yields.

KEY MARKET INDICATORS

	Close	Change		
		1 day	1 month	1 year
UST 10 Year Yield, %	4.99	+0.06	+0.35	+0.29
EMBI+ Spread, bp	152	-1	-15	-17
EMBI+ Russia Spread, bp	86	-3	-14	-10
Russia 30 Yield, %	5.86	+0.03	+0.25	+0.21
OFZ 46018 Yield, %	6.42	0	-0.09	-0.10
Cash accounts at CBR, bln RUB	447.1	-2.1	+62.2	-219.0
Deposits at CBR, bln RUB	1298.2	+19.3	+546.2	+1183.5
Due from (to) CBR, bln RUB	68.3	-	-	-
MOSPRIME O/N RUB, %	3.25	-0.13	-	-
RUB/Bi-currency basket	29.92	+0.01	+0.01	+0.24
Crude oil (Brent), USD/barrel	70.5	+0.1	+5.2	+9.8
RTSI	1834	+7	-96	-76



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

© 2007 OAO MDM Bank. All rights reserved.

This report is being distributed in the Russian Federation by OAO MDM Bank (the "Bank"), which accepts responsibility for its contents. This report is for your private information, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security and is specifically not a recommendation to purchase or sell any securities. The information herein has been obtained from, and any opinions herein are based upon, sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied upon as such. We accept no liability in relation to the use of this information or any investor activity taken in the securities described herein. Opinions, forecasts and estimates expressed are current as of the date appearing on this report only and are subject to change without notice. We make no representation that we will update the information discussed in this report on a regular basis, or correct any inaccuracies contained herein. We and our affiliates and employees may, from time to time, have long or short positions in, and buy, sell, make a market or otherwise act as principal in transactions in the securities, or derivatives thereof, of companies mentioned herein. Investors should assume that the Bank does, or seeks to do, investment banking business with any of the companies mentioned in this report.

This report was prepared by the Bank and may be used by investors in the Russian Federation subject to the laws of the Russian Federation. The Bank is not registered as a broker or dealer with the SEC or NASD in the United States and this report may be distributed in the United States only to persons who by the acceptance hereof confirm that they are a "major U.S. institutional investor" as defined in Regulation 15a-16 of the Securities Exchange Act of 1934. The Bank is not registered with the FSA in the United Kingdom and this report may not be distributed in the United Kingdom to private clients. This report may be distributed to foreign investors in other jurisdictions only to institutional investors to subject to the laws of their home jurisdiction.

This report is confidential and may not be distributed or reproduced, in whole or part, without the express written permission of the Bank.