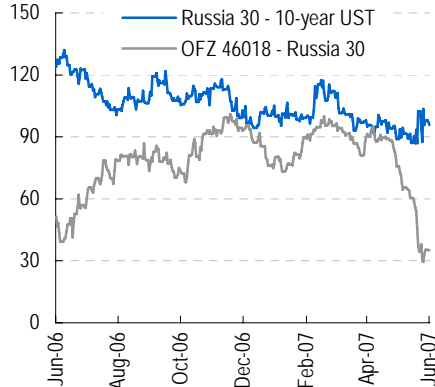
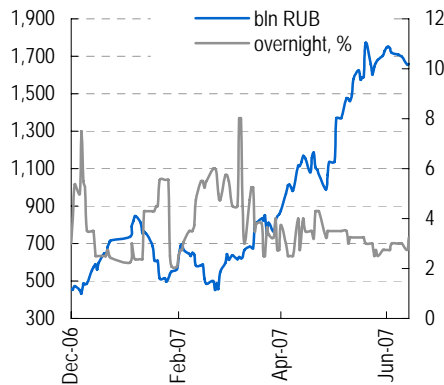


Tuesday, June 19, 2007

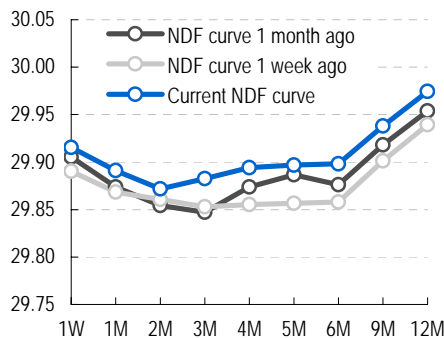
### Russia 30-UST and OFZ-Russia 30 spreads, bp



### Rouble liquidity available at banks, overnight



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



### EVENT CALENDAR

19-Jun	New issue: RUB bonds TransCreditBank-1
19-Jun	New issue: RUB bonds TransCreditBank-2
19-Jun	New issue: RUB bonds ProtonPM-1
20-Jun	VAT payments in Russia
20-Jun	New issue: RUB bonds MKB-3
20-Jun	New issue: RUB bonds Moscommercebank-3
21-Jun	New issue: RUB bonds TGK-10-1
21-Jun	Leading Indicators index

### NEWS, IDEAS AND COMMENTS

In the absence of any major credit news with regard to outstanding issues (except for maybe **Raspadskaya** (Ba3/NR/B+), which has been put on Watch Positive by Fitch following announced takeover by **Evraz** (Ba3/BB-/BB)), we decided to comment on the multiple deals that are currently being marketed or were just launched in the primary market:

- **Alfa Bank** (Ba1/BB/BB-) has priced a 5-year benchmark (USD500m) issue at 8.20% (swaps+260bp), which we think looks relatively attractive. The subordinated ALFARU 12\_17 is trading just 40bp over the new issue (having similar duration to call), while on average sub-deals of Russian banks are offering 60-80bp over senior debt.
- **Renaissance Capital Bank** (B2/B-/B-, not a brokerage) has placed a 3-year USD issue at 9.50% (swaps+400bp). While from a spread perspective its shorter ruble bonds appear more attractive (420-440bp over swaps), overall we think this is an interesting risk. We have a bullish credit view on RenCap bank, given its solid management team, sound strategy, implicit support from the stronger broker (RenCap broker is rated Ba3/BB-) and healthy margins (20% net interest margin vs 3.5% NPLs in 1Q07). Currently the bank is loss-making given high investments into infrastructure. However, these investments should pay off as soon as the bank reaches critical size. Hence we expect an upward trend in financial results.
- **Transneft (A2/BBB+)** is marketing 5-year USD and EUR tranches at swaps+60bp. This looks fair given that its 7-year deal is trading at Swaps+65bp. But overall we see more value in buying other quasi-sovereign names that offer wider spreads (RSHB, BKMOSC, GAZPRU, etc.).
- **AK BARS Bank (Ba2/BB-)**, a "treasury" to the Republic of Tatarstan, is currently offering a 3-year USD deal at 8.25-8.50% (swaps+275-300bp). We think that it looks attractive vs its AKBARS 08 issue that is trading at less than 200bp over swaps.
- **Rolf (Ba3/BB-)**, Russia's largest autodealer, has announced price talk on its 3-year debut USD Eurobond at 8.125-8.50% (Swaps+260-300bp). This optically looks quite generous relative to the ratings of the company. Russian corporates with similar rating combination are trading in RUB and USD market at less than 200bp over swaps (X5 (B1/BB-) retailer would be the best peer, others include Evraz, Severstal). But in fact we think that Rolf has been slightly overrated, at least on a relative basis.
- **Other deals currently marketed or pending include TECHNOSILA CLN** (Unrated 9.75%-10.5%, MDM is the lead), **KRU** (a coal company), **Russ-Bank** (a mid-sized bank doing a CLN) and **Oriental Express Bank** (B3, consumer finance bank, a story of merger with URSA Bank, common shareholders). Ruble issuance is also quite intense, dominated primarily by 2-3 tier names with size RUB3bn and below. **Seventh Continent** retailer with a RUB7bn issue on Thursday should be the largest deal this week.

### KEY MARKET INDICATORS

	Close	Change		
		1 day	1 month	1 year
UST 10 Year Yield, %	5.14	-0.03	+0.34	+0.44
EMBI+ Spread, bp	151	-2	0	-18
EMBI+ Russia Spread, bp	95	0	+9	-1
Russia 30 Yield, %	6.11	-0.04	+0.42	+0.46
OFZ 46018 Yield, %	6.46	-0.04	+0.01	-0.06
Cash accounts at CBR, bln RUB	460.8	+1.8	-18.6	-205.3
Deposits at CBR, bln RUB	1198.9	+1.7	+99.5	+1084.2
Due from (to) CBR, bln RUB	8.5	-	-	-
MOSPRIME O/N RUB, %	3.42	+0.2	-	-
RUB/Bi-currency basket	29.93	+0.01	+0.02	+0.25
Crude oil (Brent), USD/barrel	72.2	+0.7	+2.8	+11.5
RTSI	1897	+14	+37	-13

Sources: DataStream, Bloomberg, MDM-Bank, company data



**MDM Bank**  
**Investment Division**  
 33/1 Kotelnicheskaya Nab.,  
 Moscow, Russia 115172  
 tel. +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

#### Fixed Income Research

Mikhail Galkin	Mikhail.Galkin@mdmbank.com	Maxim Korovin	Maxim.Korovin@mdmbank.com
Yelena Morozova	Elena.Morozova2@mdmbank.com	Dmitry Smelov	Dmitry.Smelov@mdmbank.com
Denis Vodnev	Denis.Vodnev@mdmbank.com	Olga Nikolaeva	Olga.Nikolaeva@mdmbank.com

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