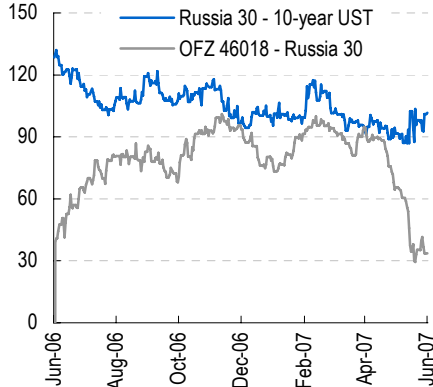
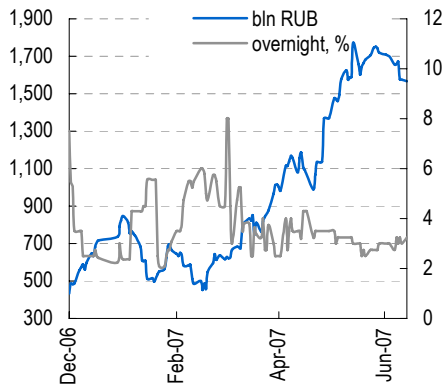


Monday, June 25, 2007

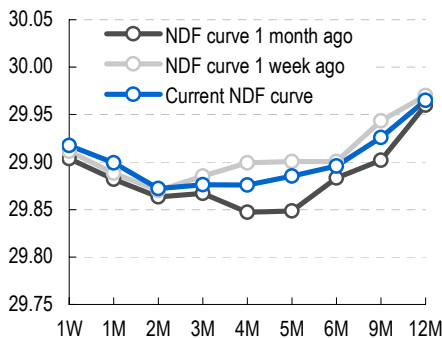
Russia 30-UST and OFZ-Russia 30 spreads, bp



Rouble liquidity available at banks, overnight



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



EVENT CALENDAR

25-Jun	Excise duty, MET payments in Russia
25-Jun	Existing Home Sales (MAY)
26-Jun	New issue: RUB bonds Russkoe More-1
26-Jun	New issue: RUB bonds DiPOS-1
26-Jun	New Home Sales (MAY)
27-Jun	New issue: RUB bonds Gazenergoset-1
28-Jun	US GDP Report
28 июня	FOMC Rate Decision

NEWS, IDEAS AND COMMENTS

■ **Brief:** TNK-BP (Baa2/BB+/BBB-) has resolved the conflict over the important Kovykta gas field. The company was previously at risk of losing the asset via questionable license revocation procedure. On Friday the company announced a deal with Gazprom, which will pay some USD600-800m for Kovykta and related assets, leaving TNK-BP an option to buy 25% in the project at a later stage. The two companies have also agreed to create a joint-venture focusing on gas projects in Siberia. We perceive the news as credit-positive for TNK-BP as they signal of reduced political risks. We believe that TMENRU '11, '12, '16 and '17 should trade close to LUKOIL (Baa2/BBB-/BBB-). Current spread between the TMENRU and LUKOIL curves is around 20-25bp.

■ **Brief:** Moody's has downgraded TuranAlem (Baa3/BB/BB+), Temirbank (Ba1/B+) and KKB (Baa2/BB+/BB+) by 1 notch as part of adjustments in implementation of its joint-default analysis methodology. Given the fact that the rating actions are not credit-driven, we think that the bond market will likely ignore them.

MARKET COLOR

■ The rouble overnight rates have increased to 3.75-5.0% levels, which is quite unusual given the optically excessive amounts of rouble liquidity in the banking system (around 1.5 trillion rubles, way above 12-month average). We explain this by unequal distribution of the liquidity in the system. Cash rich state-controlled banks, that control most of the liquidity (Gazprombank keeps the YUKOS-related and Rosneft-related accounts, VTB and Sberbank have excess liquidity following IPOs) have either allocated cash into Central Bank's deposits, or are unwilling to lend to some of the 3rd tier banks that currently experience shortage of liquidity. Anyway, if for one or another reason this situation lasts for a few more days, we may see a major correction in the rouble bonds as investors start unwinding their leveraged positions, which were based on expectations of low REPO costs.

KEY MARKET INDICATORS

	Close	Change		
		1 day	1 month	1 year
UST 10 Year Yield, %	5.13	-0.06	+0.28	+0.43
EMBI+ Spread, bp	159	+4	+9	-10
EMBI+ Russia Spread, bp	98	+8	+12	+2
Russia 30 Yield, %	6.14	+0.02	+0.39	+0.49
OFZ 46018 Yield, %	6.48	0	+0.05	-0.04
Cash accounts at CBR, bln RUB	493.5	+29.7	-90.0	-172.6
Deposits at CBR, bln RUB	1073.1	-38.0	-114.4	+958.4
Due from (to) CBR, bln RUB	21.8	-	-	-
MOSPRIME O/N RUB, %	4.58	+1.3	-	-
RUB/Bi-currency basket	29.92	-0.01	0	+0.24
Crude oil (Brent), USD/barrel	71.2	+1.0	+0.5	+10.5
RTSI	1896	+3	+101	-14

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



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