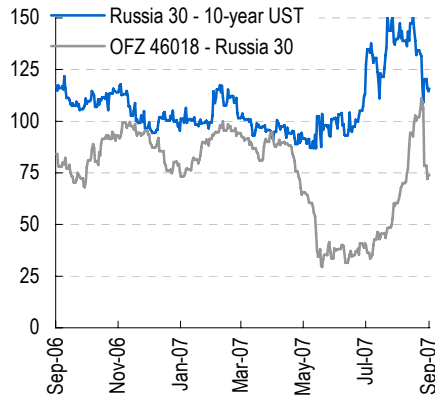
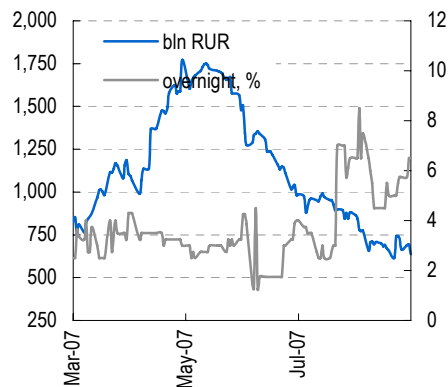


Wednesday, September 26, 2007

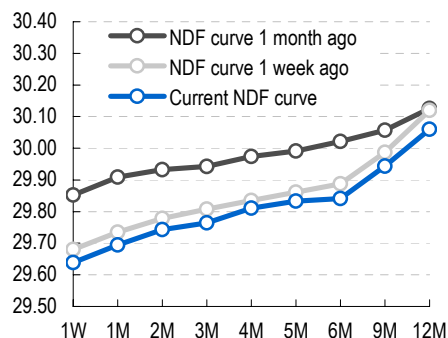
Russia 30-UST and OFZ-Russia 30 spreads, bp



Rouble liquidity available at banks, overnight



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



EVENT CALENDAR

27-Sep	Core PCE Index (2Q)
27-Sep	New Home Sales (AUG)
28-Sep	Income tax payments in Russia
28-Sep	Core PCE Index (AUG)
10-Oct	New RUB bond issue: RusAgroBank-4
15-Oct	Social taxes payments in Russia
17-Oct	OFZ 26199 auction (RUB 3 bln.)
22-Oct	VAT payments in Russia

NEWS, IDEAS AND COMMENTS

- **Brief: Raspadskaya coal company (Ba3/B+/B+)** has released excellent 1H 07 IFRS results. The company achieved a 55% y-o-y growth on the back of higher output (M&As in 06 pays off) and better pricing conditions. EBITDA margin reached 59% (!). The company's leverage looks conservative on a «Net debt/EBITDA annualized» basis (0.7x). We don't think that RASPAD 12 issue is trading on financials, it may rather react to the news about the progress of Raspadskaya consolidation into Evraz group (Ba3/BB-/BB). We expect the transaction to be completed by the end of 2007 and don't rule out good news regarding that in October. RASPAD 12 is trading some 80bp over Evraz curve, which we think is too rich.
- **Brief: Svyazinvest group may approve a new 4-year investment plan**, according to which its 7 regional telcos will be in aggregate investing USD2bn each year. While these figures may look gigantic, in fact they are not too big compared to the cash flows of Svyazinvest subsidiaries. According to our estimates, the 7 so-called MRKs (regional fixed-line telcos) are due to generate over USD2.5bn in EBITDA this year, with higher numbers going forward. Hence we don't think that the announced capex appetite (mainly digitalization of lines) will result in soaring leverage. Ruble bonds of Svyazinvest subs are currently trading in the 8.5-9.0% range and don't look appealing on a relative value basis, e.g. vs banking bonds.
- **Brief: Russian Agricultural Bank (A3/BBB+)** expects another RUB5.7bn equity injection from the budget to support its liquidity as capital adequacy ratios are coming under pressure from growing loan book (Source: Kommersant). We have little doubts that the injection will arrive soon.
- **Brief: VimpelCom (Ba2/BB+)** shareholder dispute over the company's expansion in Ukraine is apparently over (Source: Vedomosti). We don't expect to see any price reaction to this news.

SECONDARY MARKET COLOR AND PRIMARY DEALS

- **Ruble bonds:** End-of-quarter tax payments continue to put pressure on ruble liquidity, overnight rates yesterday reached 10%. State vehicle (we think its either Central Bank or VEB) continues to maintain rock-solid bids in OFZ after moving the market 3-4pp up during Friday and Monday. Investors don't want to sell, expecting relieving "budget" liquidity to come in October-November, but have yet no cash to buy. Sitronics (B3/B-), a principal subsidiary of Sistema, has placed a RUB3bn bond at 10% coupon. We are hearing that that wasn't exactly a market placement.
- **Eurobonds:** Nothing exciting going on in Eurobonds. RUSSIA 30 trading at 117bp over UST.

KEY MARKET INDICATORS

	Close	Change		
		1 day	1 month	1 year
UST 10 Year Yield, %	4.63	0	+0.01	-0.07
EMBI+ Spread, bp	198	+1	-30	+29
EMBI+ Russia Spread, bp	119	0	-20	+23
Russia 30 Yield, %	5.77	-0.02	-0.25	+0.12
OFZ 46018 Yield, %	6.51	0	-0.11	-0.01
Cash accounts at CBR, bln RUR	450.5	+12.2	-7.9	-215.6
Deposits at CBR, bln RUR	187.2	-68.1	-219.1	+72.5
Due from (to) CBR, bln RUR	40.0	-	-	-
MOSPRIME O/N RUR, %	8.17	+0.71	-	-
RUR/Bi-currency basket	29.62	-0.03	-0.27	-0.48
Crude oil (Brent), USD/barrel	77.6	-1.3	+7.0	+16.9
RTSI	2009	-33	+144	+99

Sources: DataStream, Bloomberg, MDM, company data



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