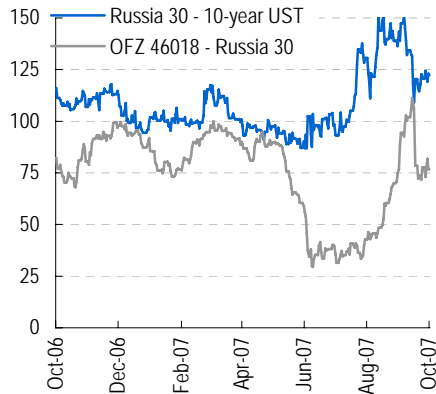
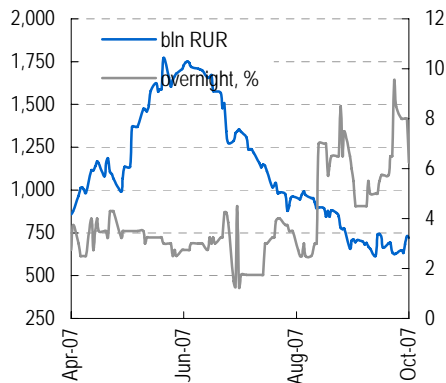


Friday, October 05, 2007

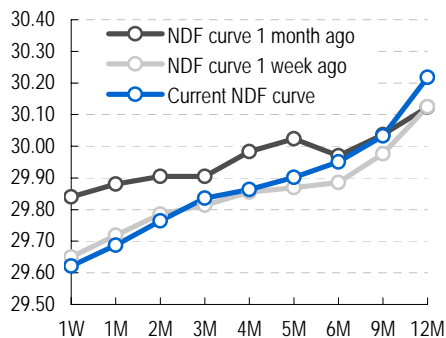
Russia 30-UST and OFZ-Russia 30 spreads, bp



Rouble liquidity available at banks, overnight



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



### EVENT CALENDAR

5-Oct	Nonfarm Payrolls (SEP)
10-Oct	New RUB bond issue: RusAgroBank-4
10-Oct	New RUB bond issue: VTB24-1
15-Oct	Social taxes payments in Russia
17-Oct	OFZ 26199 auction (RUB 3 bln.)
22-Oct	VAT payments in Russia
25-Oct	Excise duty, MET payments in Russia
29-Oct	Income tax payments in Russia

### NEWS, IDEAS AND COMMENTS

- **Brief: Norilsk Nickel, Evraz and Sistema have reported their 1H 07 consolidated financial results.** All numbers look very solid. «Net debt/EBITDA annualized» ratio stands around zero for Norilsk, at 1.3x for Evraz and 1.7x for Sistema. Norilsk and Evraz showed particularly outstanding results on the back of strong metal prices. Evraz said that it may issue a Eurobond soon to refinance its USD1.8bn loan.
- **Brief: Sberbank (A2/NR/BBB) said it may issue a USD1bn Eurobond before the end of the year.** Newspapers are also writing that former minister of economic development German Gref is likely to be appointed a new CEO of Sberbank. We are neutral on the management change, but see the new issuance overhang as a technical negative for Russian corporate bond universe.
- **Brief: Rolf (Ba3/BB-), Russia's leading autodealer, held a conference call regarding its 1H07 results.** The company told about its expansion plans (we can send a copy of the presentation if necessary) and also said it is committed to keep "Net debt excl. trade finance/EBITDA ratio" within 1.5x (0.8x as of mid-year). Obviously a pleasant music for the ears of ROLFPG (9.7%) bondholders.
- **Brief: HCFB (Ba3/B+) is apparently facing increased regulatory pressure from the consumer watchdog.** The latter is not happy with the bank suing its clients that have payments overdue. We believe that such pressure may result in weakening of both HCFB financial results and the general credit culture of Russian consumers. We don't rule out a new wave of selling in HCFB bonds on the back of that.
- **Brief: TNK-BP (Baa2/BB+) published 1H07 financials of TNK-BP Holding.** We note that these numbers don't include debt raised at off-shore level (over a half of the group's debt). However, even on a consolidated basis, TNK-BP still looks extremely solid (Net debt/EBITDA < 1x).

### SECONDARY MARKET COLOR AND PRIMARY DEALS

- **Eurobonds:** Kazakh bonds rebounded a little this morning after an unprecedented sell-off yesterday. Apparently the downward move, which followed the negative rating action by S&P, has triggered margin calls. No doubts Kazakhstan is facing a challenge, but we don't see how the gov't and the Central Bank lets the key banks to default. On top of FX reserves and the general "oil&gas story", one should think of IMF-like support. Acquisitions of local banks by foreign majors may come as a relieving surprise.
- **Ruble bonds:** No big moves in the market, money market rates are slowly going down. SMARTS, a regional cell phone operator and historically a high-yield issuer, is today successfully executing its liabilities on the ruble bond put option. A good sign for investors in the 3<sup>rd</sup> tier names vulnerable to refinancing.

### KEY MARKET INDICATORS

	Close	Change		
		1 day	1 month	1 year
UST 10 Year Yield, %	4.51	-0.05	-0.04	-0.19
EMBI+ Spread, bp	201	+1	-22	+32
EMBI+ Russia Spread, bp	126	+2	-10	+30
Russia 30 Yield, %	5.74	-0.01	-0.17	+0.09
OFZ 46018 Yield, %	6.51	-0.06	-0.15	-0.01
Cash accounts at CBR, bln RUR	525.8	-16.7	+124.3	-140.3
Deposits at CBR, bln RUR	194.8	+6.5	-114.6	+80.1
Due from (to) CBR, bln RUR	-11.9	-	-	-
MOSPRIME O/N RUR, %	6.96	-0.17	-	-
RUR/Bi-currency basket	29.62	+0.01	-0.15	-0.48
Crude oil (Brent), USD/barrel	79.0	+1.8	+4.7	+18.3
RTSI	2090	-3	+185	+180



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