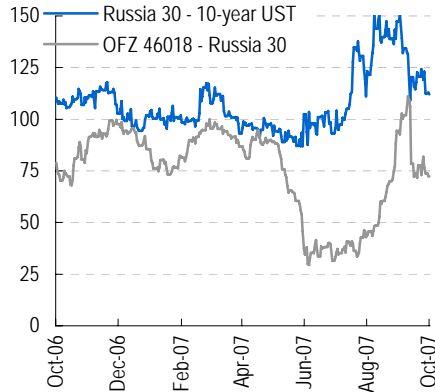
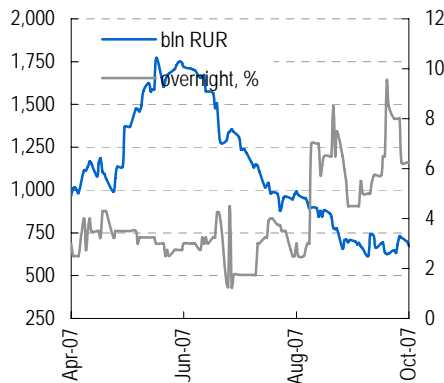


Tuesday, October 09, 2007

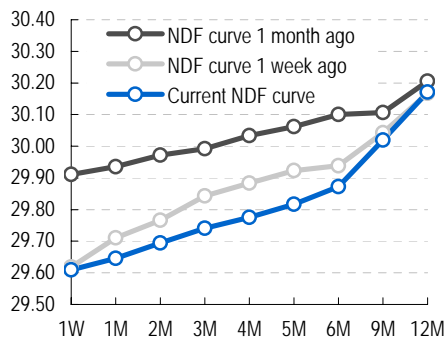
Russia 30-UST and OFZ-Russia 30 spreads, bp



Rouble liquidity available at banks, overnight



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



EVENT CALENDAR

9-Oct	New RUB bond issue: TKS Bank-1
10-Oct	New RUB bond issue: RusAgroBank-4
10-Oct	New RUB bond issue: VTB24-1
11-Oct	Import Price Index (SEP)
11-Oct	New RUB bond issue: MIA-4
11-Oct	New RUB bond issue: Elis-1
12-Oct	Producer Price Index (SEP)
12-Oct	New RUB bond issue: Bank Electronica-2

SECONDARY MARKET COLOR AND PRIMARY DEALS

- **Eurobonds:** RUSSIA 30 trading at 114bp over UST. Certain support seen in **Kazakh bonds** on the back of encouraging comments from **Fitch** (see its rationale of the sovereign rating outlook change) as well as moderately positive headlines related to the dispute over **Kashagan** oil field. **Gazprom** (A3/BBB) is due to start a road-show for its new **EUR** benchmark issue next week, which may create some pressure on the outstanding issues.
- **Ruble bonds:** The local market is feeling better as **Central Bank** keeps injecting liquidity by intervening in the **FX** trading (another USD2.5bn were bought by the CBR yesterday). The bi-currency basket keeps trading at the CBR support levels (RUB29.61). CBR has also published a list of bonds that will soon be eligible for direct repo with the Central Bank based on the new more "relaxed" criteria (rating threshold was lowered from Ba2/BB to B1/B+). Some RUB160bn of bonds are affected. We can send the list of new entries into the CBR's Lombard List upon request.
- Tomorrow two A3-rated state-controlled banks – **RSHB** and **VTB24** (retail subsidiary of VTB) – are due to price their 1-year RUB issues. Price talk on RSHB is NDF/CCS+180bp, while VTB 24 is marketed at 160-170bp over NDF/CCS. We think that this is attractive enough to enable the sale of RUB16bn of debt (10+6) in the current environment. Such spread levels are currently seen only in the much longer-dated RSHB and VTB Eurobond issues.

NEWS, IDEAS AND COMMENTS

- **Brief: Alliance Bank (Ba3/NR/BB-)** yesterday held a conference call. The company's representatives made the following interesting remarks: 1) there was a massive outflow of client accounts over the last few weeks, which was offset by a USD220m deposit from the parent Seimar Group; however, if deposits continue to be pulled out, certain loan covenants may be violated; 2) the bank views its current liquidity position as strong and may start buying-back the bonds and shares from the market. We don't think that the bank and its shareholders can afford buying back equity and debt, particularly if deposit outflow and deterioration of loan book quality continue. We are neutral on ALLIBK issues, expecting more volatility down the road. However, we don't believe in the ultimate blow-up of the bank as we think shareholder and state support are strong enough to enable bank withstand the challenges.
- **Brief: Gazprom (A3/BBB)** reported 1Q 07 IFRS results, which we think are neutral from the bondholders' perspective. Debt/EBITDA is maintained around 1.1x.

KEY MARKET INDICATORS

	Close	Change		
		1 day	1 month	1 year
UST 10 Year Yield, %	4.64	0	+0.26	-0.06
EMBI+ Spread, bp	194	0	-43	+25
EMBI+ Russia Spread, bp	119	0	-26	+23
Russia 30 Yield, %	5.77	+0.01	-0.09	+0.12
OFZ 46018 Yield, %	6.49	-0.01	-0.31	-0.03
Cash accounts at CBR, bln RUR	479.5	-47.3	+52.1	-186.6
Deposits at CBR, bln RUR	192.3	+20.4	-87.9	+77.6
Due from (to) CBR, bln RUR	87.5	-	-	-
MOSPRIME O/N RUR, %	6.18	-0.32	-	-
RUR/Bi-currency basket	29.61	-0.01	-0.26	-0.49
Crude oil (Brent), USD/barrel	76.6	-2.3	+1.5	+15.9
RTSI	2130	+15	+232	+220

Sources: DataStream, Bloomberg, MDM, company data



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