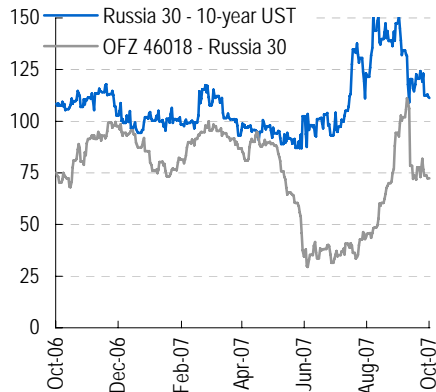
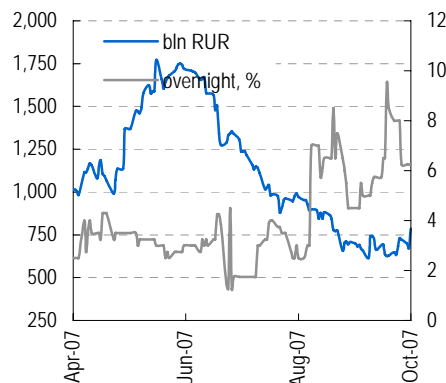


Wednesday, October 10, 2007

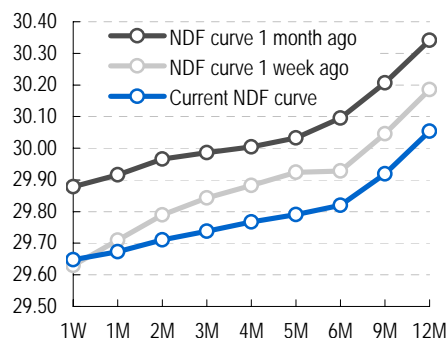
### Russia 30-UST and OFZ-Russia 30 spreads, bp



### Rouble liquidity available at banks, overnight



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



### EVENT CALENDAR

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
15-Oct	Social taxes payments in Russia

### NEWS, IDEAS AND COMMENTS

- **Brief: MinFin is preparing a set of regulatory amendments to allow for a budget support of banking liquidity.** Specifically, MinFin wants the budget to spend RUB550bn on equity injections into state development bank (VEB) and two new corporations (Nanotechnology and Housing&Utilities) before the end of 2007. MinFin also wants these funds to be eligible for placement on bank deposits so that the banking system would use them as an additional source of liquidity (Source: Kommersant). Obviously this is good news for the local bond market.
- **Russia's Central Bank has today announced a reduction in obligatory reserve requirements for local banks.** This is yet another supportive move from the regulator, which is aimed at maintaining sustainability of the Russian banking sector amid global liquidity crisis. A reduction of reserve requirements will free up cash at banks. One though shouldn't overestimate the the impact of this action on banking liquidity.
- **Brief: Evraz (Ba3/BB-/BB) is doing a non-deal road-show next week** as a follow-up to the release of its strong 1H 07 results. We spoke to the company this morning and we've been told that the road-show is not related to any bond placement plans. The company will seek to refinance the bridge loan related to acquisition of Oregon Steel, and for that purpose will evaluate the syndication and Eurobond opportunities (or a mixture of both). However, the bridge matures only in May 2008, hence the company has time to think. We have been told that Evraz won't be doing the bond issue if the market remains weak.
- **Brief: Fitch downgraded Russian Standard Bank one notch to BB-/Stable,** citing reduction in margins and tighter funding environment as core arguments. At the same time, Fitch noted that RUSB remains one of Russia's strongest privately-owned banks, and we fully agree with the latter. We continue to like RUSB issues (12-14%). Local RUSB bonds are "repeoble" at the Central Bank at 6% rate, hence a great carry play.
- **Brief: TuranAlem raised 750m via DPR securitization.** While we hear the deal was initiated before market turmoil, we still regard the news as supportive for BTAS issues as well as for the entire Kazakhstan bond universe.
- **Brief: Rating news: Fitch revised outlooks on BTAS, DBKAZ, KKB and HALYK** following a similar action on the sovereign. Fitch also affirmed ratings of Belorussian banks. Moody's raised MOBTEL to Ba2, equalizing it with VIP.

### SECONDARY MARKET COLOR AND PRIMARY DEALS

- Strong sentiment in local bonds on improving liquidity conditions (CBR keeps buying foreign currency). RSHB and VTB 24 (both A3) are placing 1-year bonds today. Relatively quiet in Eurobonds.

### KEY MARKET INDICATORS

	Close	Change		
		1 day	1 month	1 year
UST 10 Year Yield, %	4.65	+0.01	+0.27	-0.05
EMBI+ Spread, bp	186	-8	-51	+17
EMBI+ Russia Spread, bp	114	-5	-31	+18
Russia 30 Yield, %	5.77	0	-0.09	+0.12
OFZ 46018 Yield, %	6.49	0	-0.31	-0.03
Cash accounts at CBR, bln RUR	559.3	+79.8	+96.0	-106.8
Deposits at CBR, bln RUR	227.2	+34.9	-8.0	+112.5
Due from (to) CBR, bln RUR	42.9	-	-	-
MOSPRIME O/N RUR, %	5.6	-0.58	-	-
RUR/Bi-currency basket	29.61	0	-0.29	-0.49
Crude oil (Brent), USD/barrel	77.5	+0.9	+2.0	+16.8
RTSI	2142	+12	+244	+232



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