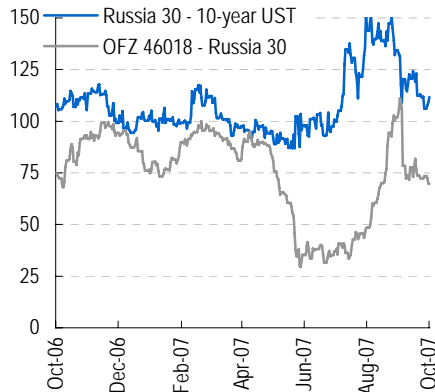
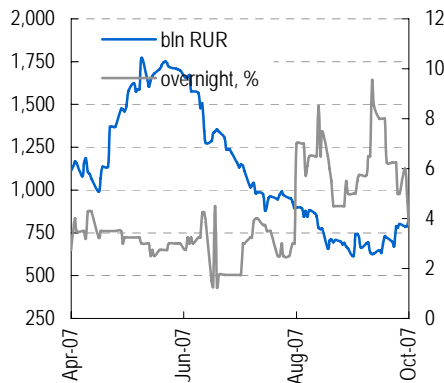


Wednesday, October 17, 2007

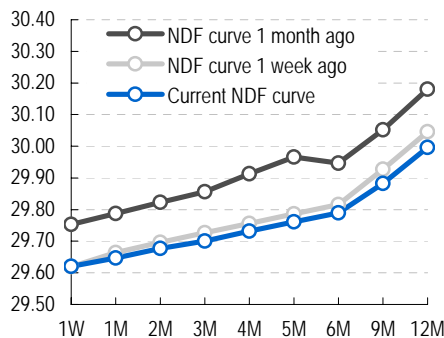
Russia 30-UST and OFZ-Russia 30 spreads, bp



Rouble liquidity available at banks, overnight



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



EVENT CALENDAR

17-Oct	OFZ 26199 auction (RUB 3 bln.)
17-Oct	Consumer Price Index (SEP)
17-Oct	Fed's "Beige Book"
17-Oct	New eurobond issue: Gazprom
17-Oct	New RUB bond issue: HM StroyResurs-1
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

- SEVERSTALTRANS, Russia's largest privately owned transportation group, has received its first time rating.** Moody's assigned the company a "Ba3" rating with a "Positive" outlook, highlighting the company's strong market positions and good growth potential as the key supporting factors. According to Moody's, should the margins increase from current levels and Net debt/EBITDA fall down to 2.5x (from around 3.0x), the ratings can be raised. We believe that the Ba3 rating is adequate for SEVERSTALTRANS, given the high proportion of low-risk infrastructure business in the company's asset portfolio. We think that with this rating SST's senior secured CLN issue TSPINV 10 (9% to a put in June 09) is looking quite attractive, particularly vs another "transportation" bond - NOVORO 12 (7.5%, Russia's largest port, rated Ba1/BB+).
- RBC Information Systems was another Russian corporate to receive a first time rating this week.** S&P assigned RBC a "B+" rating with a "Stable" outlook. The rating agency notes the company's aggressive investment appetite with a focus on Internet projects as the key credit constraint. At the same time, S&P expects RBC's margins to rise (we were concerned they would decline as it may be difficult to fully capitalize Internet-related investments) and also points out at the company's significant financial flexibility so far (cash cushion and ability to postpone investments in a stress-scenario). RBC's '09 CLN is not liquid, but we think this paper should be quite attractive at 9.75% and above levels (99.75 and below pricewise).
- LenSpetsSMU (B) has released relatively strong 1H 07 IFRS results.** The company posted an impressive growth in sales (+73% y-o-y) and operating margins (EBITDA up to 29% from only 9% in 2006), which allowed to significantly improve debt cover ratios. "Net debt/EBITDA annualized" ratio stands at 1.0x at the end of the reporting period. Local bonds of LSS are trading around 12%, the USD CLN is shown on screens at 10.5%. From spread over swaps perspective LSS ruble bonds look more appealing.

SECONDARY MARKET COLOR AND PRIMARY DEALS

- Gazprom (A3/BBB) has announced price talk on its new 10-year benchmark at MS plus 193-203bp.** We think the guidance is quite rich, as GAZPRU 17 EUR is trading some 140bp over swaps. The company's USD issues appear to be trading even tighter. We now see some selling in GAZPRU Eurobonds following the release of price talk. Otherwise the mood in both Russian Eurobonds and local bonds is quite optimistic. Banking sector is outperforming on reduced liquidity concerns.

KEY MARKET INDICATORS

	Close	Change		
		1 day	1 month	1 year
UST 10 Year Yield, %	4.65	-0.03	+0.19	-0.05
EMBI+ Spread, bp	183	+1	-40	+14
EMBI+ Russia Spread, bp	111	+1	-25	+15
Russia 30 Yield, %	5.74	-0.02	-0.06	+0.09
OFZ 46018 Yield, %	6.44	-0.04	-0.38	-0.08
Cash accounts at CBR, bln RUR	499.3	+23.5	+60.7	-166.8
Deposits at CBR, bln RUR	326.3	+14.3	+150.2	+211.6
Due from (to) CBR, bln RUR	16.4	-	-	-
MOSPRIME O/N RUR, %	4.5	-0.38	-	-
RUR/Bi-currency basket	29.61	0	-0.15	-0.49
Crude oil (Brent), USD/barrel	83.6	+0.8	+6.6	+22.9
RTSI	2160	-17	+244	+250

Sources: DataStream, Bloomberg, MDM, company data



33/1 Kotelnicheskaya Nab.,
Moscow, Russia 115172
el.+7 (495) 795-2521

Managing Director, Head of Fixed Income Sales and Trading

Sergey Babayan

Sergey.Babayan@mdmbank.com

Sales: bond_sales@mdmbank.com

Corrado Taveggia	+7 495 787 94 52
Natalia Ermolitskaya	+7 495 960 22 56
Linaida Eremina	+7 495 363 55 83
Dmitry Omelchenko	+7 495 363 55 84
Darya Grischenko	+7 495 363 27 44

Fixed Income Trading

Nicolay Panyukov	Nicolay.Panyukov@mdmbank.com
Alexander Zubkov	Alexander.Zubkov@mdmbank.com
Evgeny Lysenko	Evgeny.Lysenko@mdmbank.com

Repo Desk

Alexei Bazarov	Alexei.Bazarov@mdmbank.com
Denis Anokhin	Denis.Anokhin@mdmbank.com

Fixed Income Research

Mikhail Galkin	Mikhail.Galkin@mdmbank.com	Maxim Korovin	Maxim.Korovin@mdmbank.com
Denis Vodnev	Denis.Vodnev@mdmbank.com	Dmitry Smelov	Dmitry.Smelov@mdmbank.com
Olga Nikolaeva	Olga.Nikolaeva@mdmbank.com	Maria Radchenko	Maria.Radchenko@mdmbank.com

Telecoms

Ekaterina Generalova	Ekaterina.Generalova@mdmbank.com
----------------------	----------------------------------

Utilities

George Lilis	George.Lilis@mdmbank.com
Vladislav Nigmatullin	Vladislav.Nigmatullin@mdmbank.com

Editors/Production

Andrey Goncharov	Andrey.Goncharov@mdmbank.com
Mikhail Remennikov	Mikhail.Remennikov@mdmbank.com

© 2007 OAO "MDM-Ban"k. All rights reserved.

This report is being distributed in the Russian Federation by OAO "MDM-Ban"k (the "Bank"), which accepts responsibility for its contents. This report is for your private information, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security and is specifically not a recommendation to purchase or sell any securities. The information herein has been obtained from, and any opinions herein are based upon, sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied upon as such. We accept no liability in relation to the use of this information or any investor activity taken in the securities described herein. Opinions, forecasts and estimates expressed are current as of the date appearing on this report only and are subject to change without notice. We make no representation that we will update the information discussed in this report on a regular basis, or correct any inaccuracies contained herein. We and our affiliates and employees may, from time to time, have long or short positions in, and buy, sell, make a market or otherwise act as principal in transactions in the securities, or derivatives thereof, of companies mentioned herein. Investors should assume that the Bank does, or seeks to do, investment banking business with any of the companies mentioned in this report.

This report was prepared by the Bank and may be used by investors in the Russian Federation subject to the laws of the Russian Federation. The Bank is not registered as a broker or dealer with the SEC or NASD in the United States and this report may be distributed in the United States only to persons who by the acceptance hereof confirm that they are a "major U.S. institutional investor" as defined in Regulation 15a-16 of the Securities Exchange Act of 1934. The Bank is not registered with the FSA in the United Kingdom and this report may not be distributed in the United Kingdom to private clients. This report may be distributed to foreign investors in other jurisdictions only to institutional investors to subject to the laws of their home jurisdiction.

This report is confidential and may not be distributed or reproduced, in whole or part, without the express written permission of the Bank.