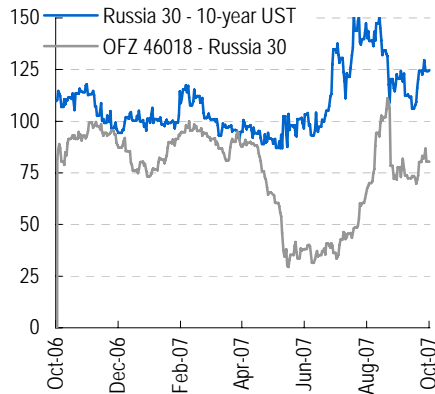
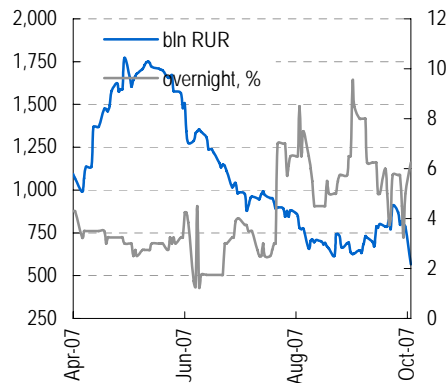


Monday, October 29, 2007

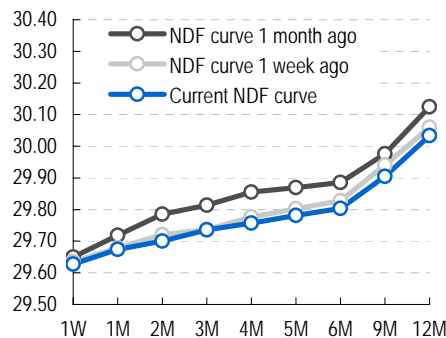
### Russia 30-UST and OFZ-Russia 30 spreads, bp



### Rouble liquidity available at banks, overnight



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



### EVENT CALENDAR

29-Oct	Income tax payments in Russia
30-Oct	S&P/Schiller Home Price Index
31-Oct	FOMC rate decision
1-Nov	PCE Core (SEP)
1-Nov	ISM Manufacturing (OCT)
2-Nov	Nonfarm Payrolls (OCT)
5-Nov	ISM Non-Manufacturing (OCT)
7-Nov	OFZ 25061 auction (RUB 3 bln.)

### NEWS, IDEAS AND COMMENTS

- MOESK, the electricity distribution monopoly operating in the Moscow area, has received a Ba2/Positive rating from Moody's.** We think that the news should support the ruble bond of the company (YTW 8.4%), as it makes the issue eligible for direct repo with the Central Bank (rating threshold for that now set at B1/B+). Also, the MOESK lease securitization deal (YTW 9.25%, Bloomberg ticker BUSALL) is likely to attract additional interest on the back of the news. We were hearing that some investors didn't jump in that deal back in July due to the fact that the underlying entity (MOESK) wasn't rated.
- Eurochem (NR/BB-/BB-) has released very strong 1H 07 financial results.** The company is benefiting from the favorable pricing environment for fertilizers. Its sales are up 23% y-o-y, while EBITDA has reached almost 30% (+5pp y-o-y). That, combined with redeemed loan due from shareholder as well as moderate capex, has resulted into a significant de-leveraging of the balance sheet. Net debt/EBITDA has declined from around 1x at 2006FYE to as low as 0.2x. Over the last few weeks the EUCHEM 12 issue (8.50%) has been underperforming vs its rating peers in the Russian corporate universe without any clear reason. We think that the 1H 07 report may serve as a good catalyst for spread tightening in the EUCHEM 12 bond.
- Transneft (A2/BBB+) has published neutral 1H 07 results.** Debt cover ratios look a little weaker (Debt/EBITDA 1x vs 0.7x at 2006FYE), given that the company has intensified capital expenditure (huge Far Eastern pipeline project launched). We are neutral on the TNEFT bonds at current levels (almost flat to GAZPRU).
- Standard & Poor's has released a Q&A on Kopeyka (CC).** The rating agency confirmed that it didn't factor in shareholder support in its recent rating action on the company (a multi-notch downgrade). We continue to believe that URALSIB – the sole shareholder of Kopeyka and one of the largest financial groups in Russia – will likely provide the distressed retailer with timely financial aid. Other comforting factors include large real estate portfolio owned by Kopeyka as well as high equity appetite for food retail. We like Kopeyka's short-dated ruble bonds (YTW 15-16%).
- The bankruptcy manager for YUKOS has completed payments to the company's creditors,** which negatively affected the banking liquidity (over 200bn rubles were paid to the budget). We believe that this will have a muted effect on the local money market, since that cash was largely deposited at the Central Bank, i.e. not available for the inter-bank market. Still, it may be perceived as a negative signal for ruble debt, as optically the amount of cash at banks has reduced.

### KEY MARKET INDICATORS

	Close	Change		
		1 day	1 month	1 year
UST 10 Year Yield, %	4.40	+0.02	-0.22	-0.30
EMBI+ Spread, bp	199	-7	+1	+30
EMBI+ Russia Spread, bp	129	-2	+7	+33
Russia 30 Yield, %	5.65	+0.03	-0.15	0
OFZ 46018 Yield, %	6.45	-0.04	-0.08	-0.07
Cash accounts at CBR, bln RUR	459.4	+2.9	-45.1	-206.7
Deposits at CBR, bln RUR	107.4	-220.8	-16.9	-7.3
Due from (to) CBR, bln RUR	161.1	-	-	-
MOSPRIME O/N RUR, %	7.46	+0.42	-	-
RUR/Bi-currency basket	29.63	+0.01	0	-0.47
Crude oil (Brent), USD/barrel	88.7	+1.2	+9.5	+28.0
RTSI	2194	+43	+122	+284

Sources: DataStream, Bloomberg, MDM, company data



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