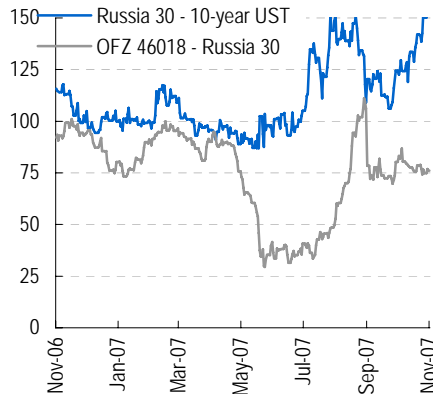
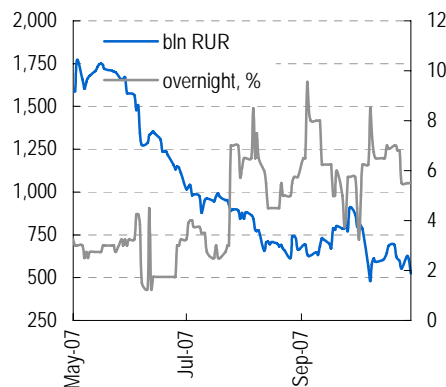


Wednesday, November 21, 2007

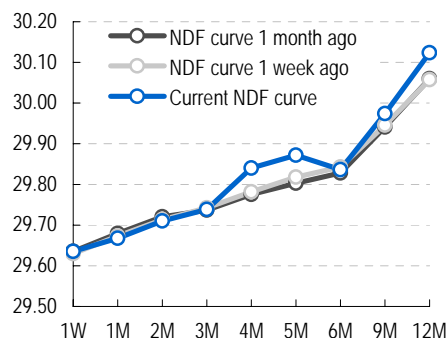
### Russia 30-UST and OFZ-Russia 30 spreads, bp



### Rouble liquidity available at banks, overnight



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



### EVENT CALENDAR

21-Nov	OFZ 46021 auction (RUB 6 bln.)
21-Nov	Leading Indicators (OCT)
22-Nov	New RUB bond issue: Talio-Princes-1
22-Nov	New RUB bond issue: Gazprombank-4
26-Nov	Tax payments in Russia: excise duty, MET
28-Nov	Tax payments in Russia: income tax
4-Dec	New RUB bond issue: Elektrostal-1
4-Dec	New RUB bond issue: Zheldoripoteka-1

### NEWS, IDEAS AND COMMENTS

- Brief: HCFB will receive a RUB1.5 bn capital injection from its parent company PPF by the end of this week** (Source: Interfax). In fact, PPF had announced this injection back in September at HCFB meeting with investors and analysts (see our Sept. 17 comments). Still, the news is important as a confirmation of PPF sticking to its commitments. Back in September PPF said that it wants to maintain HCFB's Tier 2 ratio at 20% or above (vs a minimum of 8% required by Basel 2). We like HCFB' ruble bonds (11.5-12.0%), which are eligible for guaranteed repo at the Central Bank (repo at around 6%).
- Brief: URSA Bank (Ba3/NR/B) may receive a USD150 million loan from IFC (AaaAAA)** (Source: Reuters). In our view, this is positive news for URSA's bondholders. While we are not concerned about the bank's liquidity position, as URSA managed to close sizeable equity and debt deals before the turmoil and has no significant redemptions in the short-term, it is still very good to hear that institutions like IFC are confident in the bank's future. We view the ruble issue URSA-7 (11.15%) as the most interesting among URSA-Bank's bonds. To the best of our knowledge, the issue will shortly join the bank's other issues in the Lombard List and will become eligible for refinancing at the Central Bank. The bond is now trading at a premium to the rest of the bank's ruble curve.
- Brief: MTS (Ba2/BB-) reported solid 3Q07 US GAAP results.** Leverage is maintained at conservative levels ("Debt/annualized EBITDA"  $\approx$  0.5x). As usual, the results will unlikely have any impact on MOBTEL bond spreads.

### SECONDARY MARKET COLOR AND PRIMARY DEALS

- RUSSIA 30** spread is updating more than 2-year highs (approx. 170bp now) as 10-year **US Treasuries** are testing the 4.00% level. Sellers are seen across all corporate Eurobonds. Local bond market is also retreating in absence of "promised" liquidity injections from the budget (perhaps those will come only in December). Some of the ruble bonds are outperforming, e.g. the issues of state-controlled **Transcreditbank** (Ba3/BB-). They are trading now at above 9%, which seems to be too high for the bonds of a quasi-sovereign institution that can be "repoed" at the **Central Bank**.

### KEY MARKET INDICATORS

	Close	Change		
		1 day	1 month	1 year
UST 10 Year Yield, %	4.10	+0.03	-0.29	-0.60
EMBI+ Spread, bp	247	+2	+42	+78
EMBI+ Russia Spread, bp	167	+4	+40	+71
Russia 30 Yield, %	5.67	0	+0.03	+0.02
OFZ 46018 Yield, %	6.43	-0.01	-0.01	-0.09
Cash accounts at CBR, bln RUR	431.2	-76.1	-1.5	-234.9
Deposits at CBR, bln RUR	93.9	-2.2	-343.6	-20.8
Due from (to) CBR, bln RUR	-66.7	-	-	-
MOSPRIME O/N RUR, %	5.5	-0.58	-	-
RUR/Bi-currency basket	29.62	+0.01	-0.04	-0.48
Crude oil (Brent), USD/barrel	95.5	+3.2	+11.7	+34.8
RTSI	2180	+14	+38	+270

Sources: DataStream, Bloomberg, MDM, company data



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