



April 2006: performance of the MICEX markets and the MICEX Stock Exchange markets.

In April 2006, 3876 billion rubles (140.7 billion US dollars) worth of transactions were concluded in all of the MICEX Group's markets. This is 4.8% more than in March and 116.3% more than in April 2005.

The share market on the MICEX SE. In April, the MICEX SE share market demonstrated considerable growth of prices and trading activity. The MICEX Index grew by 14.4% to 1486.85 points. In April, shares in Gazprom grew by 34.6% (to 310.3 rubles per 1 share), while shares in Norilsk Nickel grew by 32.4% (to 3444 rubles per 1 share). Shares in Sberban grew by 18.9% (48945 rubles per 1 share), shares in Surgutneftegaz grew by 13.1% (47.4 rubles per 1 share), shares in RAO UES grew by 11% (20.95 rubles per 1 share), shares in LUKoil grew by 7.8% (2481 rubles per 1 share), and shares in Rostelecom grew by 7.4% (96.7 rubles per 1 share).

In April, the activity of market participants was record-high. The total volume of operations with stocks amounted to 1.106 trillion rubles. The average daily volume of trading grew by 42% to 55.3 billion rubles. The volume of repos in shares amounted to 181.32 billion rubles or 16.4% of the total volume of operations in stocks. The volume of operations in the negotiated deals mode (address transactions) amounted to 68.14 billion rubles or 7.4% of the volume of secondary trading in shares.

The market of corporate and regional bonds on the MICEX SE. In the sector of corporate and regional bonds, quotations of the most liquid issues were decreasing slowly, while traders' activity remained high. The Corporate Bonds Index RCBI-c (coupon), after growing in March by 0.63%, grew by 0.39% in April and amounted to 137.70 points at the close on 28 April. The MICEX Corporate Bonds Index (RCBI) dropped by 0.32% and amounted to 101.06 points.

As a result of the month, the total value of transactions in corporate and regional bonds reached 331.3 billion rubles, of which 132 billion rubles (39.8%) was accounted for by secondary trading, 159.4 billion rubles (48.1%) — by repos, and 39.9 billion rubles (12.1%) — by new placements (bonds of Renins Finance (face value: 0.75 billion rubles), Suvar-Kazan Company (0.9 billion rubles), Bashkirenergo (Series 03, 1.5 billion rubles), Omela Holding (0.05 billion rubles), Central Telegraph (Series 03, 0.7 billion rubles), bonds of Moscow City bond loan (the 44th issue, 5.0 billion rubles), Dikaya Orchideya (1 billion rubles), Laverna (1 billion rubles), Russian Utility Systems (1.5 billion rubles), ATsBK-Invest Company (1.5 billion rubles), bonds of the government loan of Sakha (Yakutia) Republic (2.5 billion rubles), KB RMB (1.0 billion rubles), bonds of Moscow Region's internal bond loans of 2006 (12 billion rubles), bonds of Yaroslavl Region (2 billion rubles), bonds of ArnestFinance (0.6 billion rubles), Sinergia Company (1.0 billion rubles), European Bank for Reconstruction and Development (5 billion rubles), Elemte Company (0.6 billion rubles), Uralvneshtorgbank (1.5 billion rubles) and AKIBANK (0.6 billion rubles)).

In April, the proportion of corporate bonds in the overall structure of trading amounted to 72.8% of the total volume of trading (241.1 billion rubles), the proportion of regional securities amounted to 26.3% (87.1 billion rubles), while the proportion of municipal issues reached 0.9% (3 billion rubles). As compared with March, the total volume of trading in corporate and regional bonds decreased slightly by 0.6%.

In April, yields on most of liquid issues of corporate and regional bonds increased.



Yield on the bonds of MosGorZaim (the 39th issue) grew to 6.94% of yearly interest (+0.08 points), yield on the bonds of MosGorZaim (the 44th issue) grew to 7.01% (+0.17 points), yield on the bonds of Moscow Region (the 4th issue) grew to 7.25% (+0.24 points), yield on the bonds of Federal Network Company UES (series 02) grew to 7.69% (+0.13 points), yield on the bonds of Federal Network Company UES (series 03) grew to 7.43% (+0.08 points), yield on the bonds of LUKoil (Series 02) grew to 7.10% (+0.20 points), yield on the bonds of Russian Railways (Series 04) grew to 6.98% (+0.3 points), yield on the bonds of Russian Railways (Series 05) grew to 7.37% (+0.31 points), yield on the bonds of Russian Railways (Series 07) grew to 7.55% (+0.09 points), yield on the bonds of Gazprom (Series 04) grew to 7.26% (+0.15 points), yield on the bonds of Gazprom (Series A6) grew to 7.27% (+0.25 points). Yield on the bonds of Sakha Republic (Series 10) did not change and amounted to 7.6% of yearly interest. Yield on the bonds of YuzhTelecom (the 4th issue) dropped to 10.02% (-0.5 points).

The government securities market. In April, the Government Bonds Index (RGBI) decreased by 1.05 points to 116.2 points. The Total Revenue Government Bonds Index (RGBI-tr) dropped by 0.48 points to 159.77 points. The gross yield to maturity of government bonds (RGBY) grew by 0.18 points to 6.82% of yearly interest. In the secondary market, the average weighted yield on the most liquid issues (46018, 46017 and 46020) grew by 0.1-0.2 points.

The volume of trading amounted to 190.1 billion rubles, half of the March volume. The volume of secondary trading dropped 1.7 times to 21.6 billion rubles. 75.7% was accounted for by inter-dealer repos and direct repos against the Bank of Russia their volume amounted to, correspondingly, 99.6 and 44.4 billion rubles. The OFZ-AD sector accounted for 63.9% of the volume of the secondary market, OFZ-PD accounted for 18.3%, OBR accounted for 14.4%, while OFZ-FD accounted for 3.4%.

6.140 billion rubles worth of securities were sold at an auction to place issue OFZ 25059, with the volume of offer being 11 billion rubles. The average weighted yield amounted to 6.63% of yearly interest (premium: 0.03 points). 8.883 billion rubles worth of securities were sold at an auction to place issue OFZ 46020, with the volume of offer being 9 billion rubles. The average weighted yield amounted to 7.05% of yearly interest (premium: 0.03 points). Four reverse repo auctions were held to distribute issue OBR #4-02-30BRO-4; the total volume of placement amounted to 9.5 billion rubles, while the average weighted yield amounted to 5.16% to 5.2% of yearly interest.

The foreign exchange market. During the month, the exchange rate of the US dollar to the ruble dropped by 45 kopecks (-1.6%), while the euro grew by 60 kopecks (1.8%): on 28 April, the exchange rate of the US dollar with tomorrow settlements in the UTS amounted to 27.2615 rubles/1 dollar, while the exchange rate of the euro reached 34.2072 rubles/1 euro.

Traders' activity increased. Over the month, the volume of trading in the MICEX currency market amounted to 79.4 billion dollars. The average daily volume of trading in dollar instruments grew by 19.2% to 3.9 billion dollars. Transactions in dollars with today settlements accounted for 18.7% (March: 22.8%), while transactions with tomorrow settlements accounted for 43.5% of the volume of currency trading (March: 37.2%). Favorable situation with free bank liquidity was the reason why the volume of swap operations decreased a little, their proportion dropped from 38.9% to 36.8% of the total volume of trading. The average daily volume of trading in the euro grew by 7.7% to 34.8 million euros a day. The proportion



of euro-ruble operations amounted to 1.1% of the volume of trading. The proportion of transactions carried out in the UTS through regional currency exchanges dropped to 2.2% of the total volume of trading.

The standard contracts market. In April, the total value of trading in futures on the US dollar decreased a little against March and amounted to 59.5 billion rubles or 2158700 contracts. The daily average volume of trading decreased against March by 20% and amounted to 2.98 billion rubles. At the end of April, the open interest reached 1736910 contracts (1.7 billion dollars), having decreased by 9.4% against the end of March. Of the total number of open contracts, 40.2% was accounted for by May contracts, 16% — by June contracts, 5.7% — by July contracts, 5.6% — by August contracts, 22.1% — by September contracts, 1.7% — by October contracts, 8.0% — by December 2006 contracts and 0.6% — by March 2007 contracts.

Comment on the situation

In April, stock prices on the MICEX Stock Exchange resumed their growth. The MICEX Index reached record-high figures as a result of unprecedented trading activity.

The main factor that contributed to the market growth was the favorable situation on the world market of raw materials. In the first ten days of the month, oil prices jumped as a result of the escalation of tension around Iran. Brent reached 70 dollars per barrel, while Urals went up to 65 dollars per barrel. For the first time, the price of copper exceeded 6 thousand dollars per ton, while prices of some other non-ferrous metals reached their 25-30-years' maximum values.

Thanks to Russian and foreign investors' considerable demand for stocks of Russian companies, the market was growing almost without any breaks or corrections. The MICEX Index reached its new historical maximum of 1419.4 points at the close on 12 April. The day before, the daily volume of trading on the share market of the MICEX Stock Exchange reached a record 77.8 billion rubles (2.8 billion dollars). The market continued to grow rapidly later on.

During the whole month, Gazprom remained growth leader, one of the reasons being the fact that Gazprom applied to the US Securities and Exchange Commission for the registration of its 1st level ARD program. Another leader was Norilsk Nickel. Its shares grew with the growth of world prices for non-ferrous metals.

April was the month of good corporate news. It was announced that Gazprom's share in the MSCI Index would increase, Sberbank reported the trebling of its net profit in 2005 and the controversy around the route of the Trans-Siberian pipe line was finally resolved, which had a positive effect on the quotations of Transneft.

In the middle of the month, the market reacted negatively to the publication of the ratios of conversion of shares of Rosneft's affiliate companies into the shares of the parent company, which resulted in the failure of the market of these companies. Although the announced proportions of exchange corresponded to the market value of the affiliate companies' assets, market expectations connected with the conversion turned out to be strongly overstated, which resulted in drop in prices. However, common shares in Purneftegaz, after their considerable growth at the beginning of April, dropped by 7% only, while common shares in Sakhalinmorneftegaz even grew by 18%.

The end of April was marked by a record-high volume of trading in the share market of the MICEX SE. On 27 April, it reached 105.7 billion rubles or 3.9 billion dollars.

The presented information is exclusively for your acquaintance. The present comment does not contain any recommendations and could not be considered the guiding principle for the operations on the financial markets.



In April, fluctuations on world stock markets had only a limited impact on the Russian market. In the USA, DJIA grew by 2.3%, while NASDAQ Composite dropped by 0.7%. In Europe, DAX grew by 0.1%, while FTSE 100 went up by 0.1%. Nikkei dropped by 0.1%.

Situation on the world and the Russian debt markets was largely determined by participants' expectations of changes in the money and credit policy of the US Federal Reserve. The stable growth of the US economy and good results achieved in the consumer sector convinced most players that the discount rate would continue to grow.

This resulted in the rapid growth of the yield on the US government bonds, which indirectly affected other countries' debt instruments. In April, the yield on 10-year Treasuries grew by 0.28 points and by the end of the month reached 5.13% of yearly interest, a 4-year maximum. Before, the level of 5% of yearly interest had been surpassed in 2002.

The market of corporate and regional bonds was mostly affected by such internal economic factors as the slight deterioration of the situation with ruble liquidity and the growth of interest rates in the inter-bank market. In April, the average level of 1-day MIBOR rate amounted to 3.86% of yearly interest, about 0.5 percentage point more than in the first quarter of 2006.

The deterioration of the situation with liquidity was accompanied by the growth of the volumes of REPO operations with corporate and regional bonds, which in April reached a record 159.4 billion rubles.

In April, the sector of corporate and regional bonds was supported by the strengthening of the ruble against the US dollar. Nevertheless, the impact of this factor (which raises the yield on ruble instruments) could not make up for the deterioration of the external economic situation and the situation with liquidity.

During the month, smooth growth of yields was observed on the market of government securities. The reasons were high rates of interest on inter-bank loans in the first and the last weeks of the month and the deterioration of the situation on world debt markets. The impact of these factors was stronger than the impact of the strengthening of the national currency and the decrease of inflation from 0.8% in March to 0.4% in April. As a result, demand for the money market instruments — direct REPOs against the Central Bank and inter-dealer REPOs — was high. They accounted for the bulk of the volume of trading.

On the external market, quotations of Russian 30-year eurobonds dropped by 1.34 points to 108.435 points on the expected increase of the funding interest rates in the USA, Europe and Japan. These expectations were fuelled by the publication, in the first half of April, of macroeconomic statistics, which demonstrated the strength of the US economy. The labor market data showed that the number of jobs in March rose by 211 thousand, whereas the expected growth was 190 thousand. Besides, in February, the foreign trade deficit amounted to 65.7 billion dollars against expected 67.5 billion dollars. At the same time, Russian eurobonds did not drop so low as US securities. As a result of the month, the spread between the yield on Russian securities and the yield on 10-year Treasuries decreased by 4.5 points to 103.8 basis points.

In April, the situation on the Russian foreign exchange market was mainly determined by the situation on the world market, where the euro approached 1.26 dollars/1 euro. There were several factors working against the dollar. The exchange rate reacted to the publication of the minutes of the sitting of the US Federal Reserve. Market participants interpreted it as the end of the period of interest rates' growth. Besides, the exchange rate



of the dollar was affected by the released macroeconomic data, which showed the decrease of investors' activity on the US market of real estate and the growth of prices for oil and precious metals. During the month, the price of Brent went up by 10.9% to 72 dollars per barrel, while the price of gold increased by 10.6% to 644 dollars per ounce.

The dollar was supported by the Chinese-US meeting, which lowered geopolitical risks and created optimistic expectations of the decrease of the US foreign trade deficit. However, concerns over Iran's nuclear program continued to exert pressure on the dollar, while the euro grew after Sweden and Denmark had increased the proportion of the euro in their gold and currency reserves. As a result, over the month, the dollar dropped against the ruble by 45 kopecks (-1.6%), while the euro grew by 60 kopecks (1.8%).

The overall market situation promoted the slow strengthening of the ruble, while the possibility of jumps of the exchange rate was linked with jumps of oil prices and changes in the dollar-euro relationship on the world market.