

Daily results

October 3, 2008

Stocks

Market today. The market closed at yet another drop, whilst backed by low turnover. The primary fall factor was the crumbling oil price and negative forecasts on introduction of world economy. Some of utilities and banking industry securities have ignored the market, taking it upwards, such as Sberbank and WGC-5. The US employment statistics also proved quite bad.

Market tomorrow. Soon we expect the market to stabilize, as the fall goes on under extremely low turnovers.

Bonds

Market yesterday. The REPO rates held at 9-18% (still remaining a non-market tool essentially, due to a limited number of banks offering money today. Some light demand also hit in short securities off 1st and 2nd tiers, mostly around those featured in the Lombard list though. Demand also appeared throughout whole Telecoms sector. Some bids occurred in short bank Lombard-list securities, and not in just state-run companies exclusively, but also within the banks with private capital (Russian Standard 7). In addition some non-aggressive bids in Itera and Stroitransgas have also come up. The spreads however are still wide: at average of 5-7%. Whereas the bids are also low, this is related to uncertainties of external background, and RF government's actions. The deals roam when seller has to get some cash liquidity.

Market tomorrow. Under such a market – one must put a non-aggressive interest to 1st and 2nd tier bonds, under 1.5 year duration, Lombard-listed and sporting over 20% yield. This guarantees the positive carry.

No comment

According to IAS 1H 2008 financial report, Norilsk Nickel's income decreased by 33.2% and formed 2.682 bn USD (Interfax)

Uralsvyzinvest's net income increased by 27.2% and totaled 1.7 bn RUR under IAS 1H 2008 report (Interfax)

Novosibirsk Integrated Tin Works admitted technical default, after failing to conduct redemption of 2nd issue bonds worth 347 mn RUR (Interfax)

"Russian machines" headed by Deripaska sold encumbered shares of Magna International. (Interfax)

UBS reduces a number of investment bank's employees by 2 th (Interfax)

Tomorrow

Moscow Time	Country	Event	Period	Survey	Prior
0:00	RU	Money Supply Narrow Def.RUB	SEP 29	--	4.5B
12:00	EC	PMI Services	SEP F	48,2	48,2
12:00	EC	PMI Composite	SEP F	47	47
12:30	UK	PMI Services	SEP	48	49,2
12:30	UK	Official Reserves (Changes)	SEP	--	-\$1135M
13:00	EC	Euro-Zone Retail Sales (MoM)	AUG	0,10%	-0,40%
16:30	US	Change in Nonfarm Payrolls	SEP	-105k	-84k
16:30	US	Unemployment Rate	SEP	6,10%	6,10%
16:30	US	Change in Manufact. Payrolls	SEP	-50K	-61K
16:30	US	Average Hourly Earnings MoM	SEP	0,30%	0,40%
18:00	US	ISM Non-Manf. Composite	SEP	50	50,6

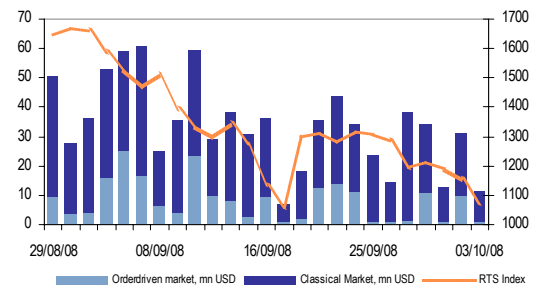
Market data

Main indicators and indices

	Close	Change, pt.	Change, %			
			day	week	month	year
RTS Index	1,070.98	-81.72	-7.09	-16.69	-32.61	-48.76
MICEX Index	930.53	-45.59	-4.67	-13.76	-29.77	-47.66
USD / RUR	26.0060	0.09	0.33	3.83	3.41	4.16
EUR / RUR	35.7375	-0.09	-0.24	-2.34	-1.87	1.27
EUR / USD	1.3737	-0.01	-0.67	-5.96	-5.13	-2.80
Dow Jones Index	10,574.05	91.20	0.87	-5.11	-8.31	-24.33
NASDAQ	2,011.72	35.00	1.77	-7.86	-13.80	-26.41
FTSE 100	4,921.14	50.80	1.04	-3.29	-10.52	-24.84
Nikkei 225	10,938.14	-216.62	-1.94	-8.03	-13.80	-36.01
MSCI EM	759.50	-	-	-7.79	-16.72	-38.05

Source: Bloomberg, Estimation: Veles Capital

RTS index vs. trade volume

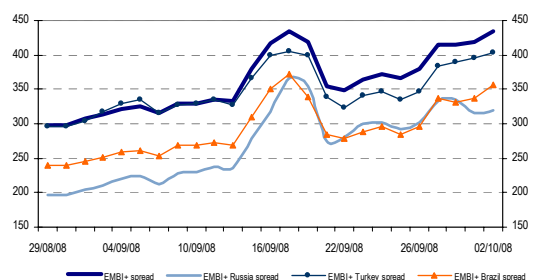


Debt market

	Close	Change, pt.	Change, %			
			day	week	month	year
UST 10	102.72	-0.33	-0.32	1.51	0.24	0.83
UST 30	106.11	0.22	0.21	3.90	3.02	2.20
German 10	99.20	0.22	0.22	1.85	1.78	3.16
Russia 30	101.73	-0.56	-0.55	-1.62	-8.74	-9.47
Spread Russia 30	353.50	4.10	1.17	14.33	73.11	187.16
Turkey 34	98.47	-0.28	-0.29	-3.31	-7.11	-10.59
Brazil 40	124.45	-0.15	-0.12	-2.37	-5.86	-7.31
Colombia 37	96.38	-0.80	-0.82	-5.97	-12.08	-12.66
Venezuela 34	64.75	0.06	0.09	-13.50	-25.20	-38.41

Source: Bloomberg, Estimation: Veles Capital

Emerging markets spread dynamics



Resource markets

	Close, USD	Change, USD	Change, %			
			day	week	month	year
Brent, USD / bbl	89.90	0.19	0.21	-11.89	-15.08	13.18
Urals, USD / bbl	87.54	0.53	0.61	-12.63	-16.12	15.20
Gold, USD / ounce	849.54	-12.96	-1.50	-6.25	3.12	9.60
Palladium, USD / ounce	201.90	1.03	0.51	-13.05	-31.53	-47.72
Copper, USD / ton	5.850	-	-	-13.65	-20.41	-28.66
Nickel, USD / ton	15.300	-	-	-10.00	-21.84	-50.32

Source: Bloomberg, Estimation: Veles Capital

Information disclosure

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The investment recommendations are given based on the evaluation of the company's share yield. The basis for the calculation of the expected company's cost is the evaluation by the discounted cash flows method (DCF). In some estimations the method of comparable coefficients, and also the mixed estimation (by DCF method and by comparable coefficients method) are applied. All recommendations are assigned based on the determined by us the fair cost of the shares within the nearest 12 months.

At the present moment the investment scale of the Investment Company Veles Capital is the following:

BUY – corresponds to the growth potential of the shares within the nearest 12 months by 15% or more.

ACCUMULATE – corresponds to the growth potential of the shares within the nearest 12 months for 5-15%.

HOLD – corresponds to the growth (reduction) potential of the shares within the nearest 12 months from -5% to 5%.

REDUCE – corresponds to the reduction potential of the shares within the nearest 12 months from 15% to 5%.

SELL – corresponds to the reduction potential of the shares within the nearest 12 months by 15% or more.

In some cases the deviations from the evaluation scale given above, based on which the recommendations are assigned, are possible. That fact relates to the high volatility of some securities in particular, and market in the whole, and also to the individual characteristics of one or another issuer.

In order to get additional information and specifications please contact the Research Department of the Investment Company Veles Capital.

Research Department*research@veles-capital.ru*

Mikhail Zak
Head of Department
Strategy
MZak@veles-capital.ru

Ivan Manaenko
Fixed income market,
Macroeconomics
IManaenko@veles-capital.ru

Ilya Fedotov
Telecommunications
IFedotov@veles-capital.ru

Stanislav Fomenko
Metallurgy
SFomenko@veles-capital.ru

Marina Irkly
Transport, machinery
MIrkly@veles-capital.ru

Oleg Zotikov
Energy
OZotikov@veles-capital.ru

Dmitry Lyutyagin
Oil and gas
DLyutyagin@veles-capital.ru

Oleg Salmanov
Fixed income
OSalmanov@veles-capital.ru

Shawn Gizatulin
Editor/Interpreter
SGizatulin@veles-capital.ru

Paul Zhuravlyev
Interpreter
PZhuravlov@veles-capital.ru

Sales and Trading Department*sales@veles-capital.ru*

Yury Pavlov
Director (VIP clients)
YPavlov@veles-capital.ru

Sergey Vetoshkin
Corporate Clients
SVetoshkin@veles-capital.ru

Alexander Taran
Trading (Ukraine)
ATaran@veles-capital.com.ua

Strategic Investments Department

Andrey Lee
Head of department
ALee@veles-capital.ru

Assets Management*am@veles-capital.ru*

Beyshen Isaev
Head of Department
BIsaev@veles-capital.ru

Vadim Labeled
Investor relations
VLabeled@veles-capital.ru

Stanislav Brodsky
Investment products
SBrodsky@veles-capital.ru