

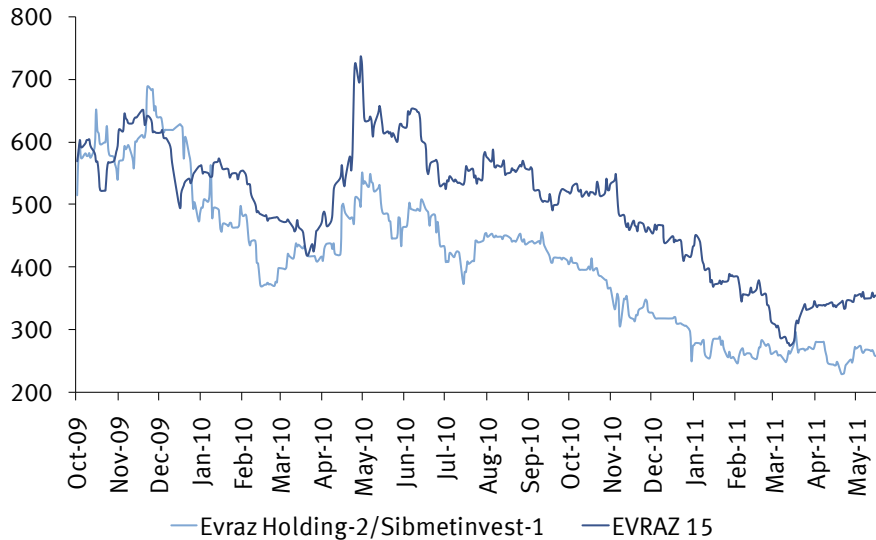
# CIS Eurobond Issuers: A View On Credit Spreads

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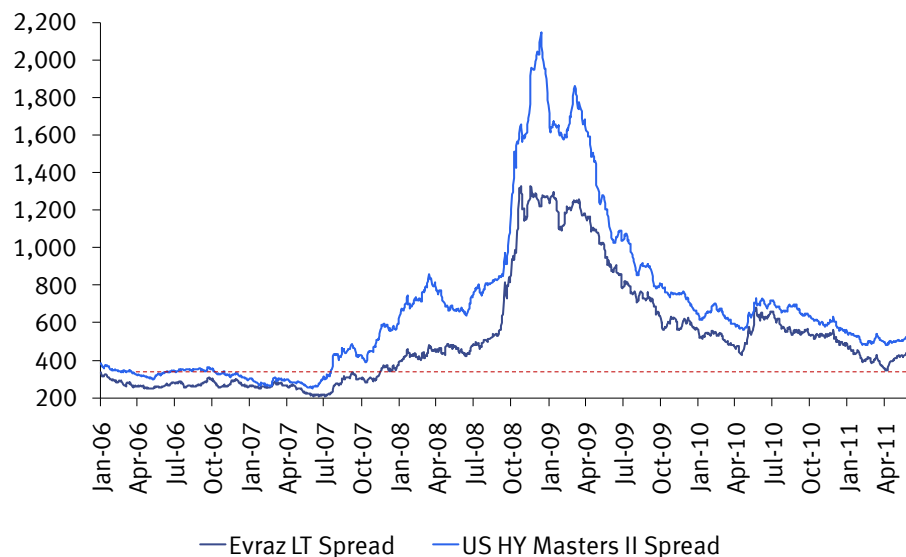
- Up to early 2011, credit spreads continued to tighten across all market segments, both in USD and RUB borrowings
- With Greece-related interruption in spring 2010, we basically spent half of the year returning to pre-Greece spreads, and then we saw new almost-all-time-lows. Almost – since we have seen lower spreads, in absolute values, pre-2008

## Evraz credit spreads



Source: Bloomberg, VTB Capital Research

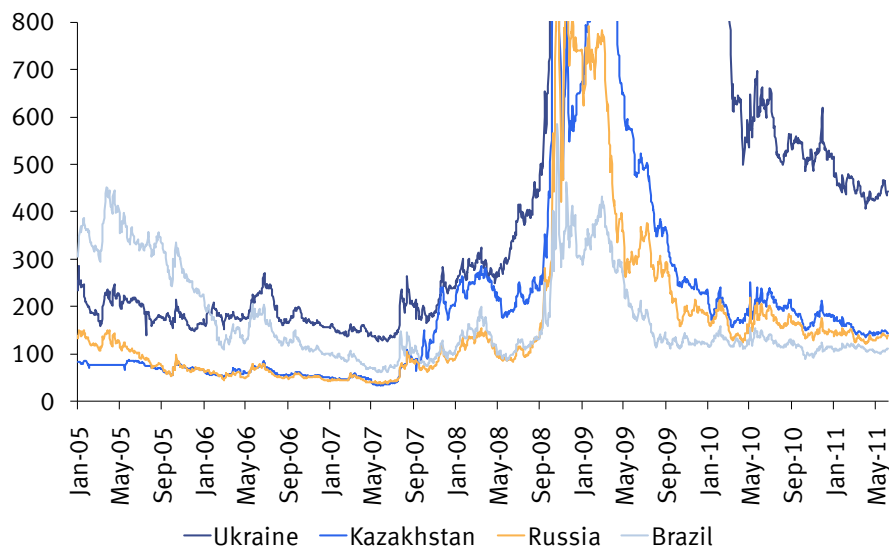
## Evraz credit spreads & US HY



Source: Bloomberg, VTB Capital Research

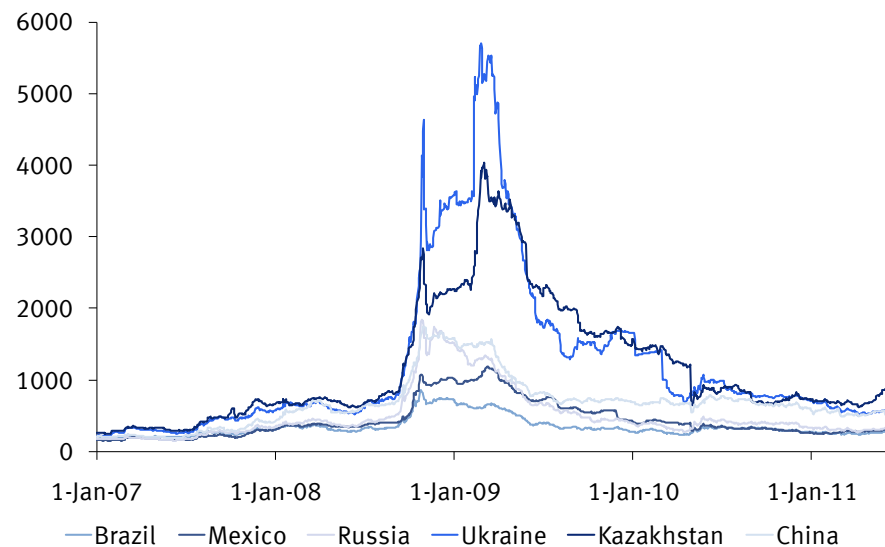
- CIS region has never returned to pre-crisis sovereign spreads seen before the crisis, and for some governments like Ukraine the difference with pre-2008 is remarkable
- For first-tier issuers, it is mostly this notorious and stubborn additional sovereign risk premium that makes Gazprom etc. an eternally cheap credit. The mispricing is most vivid in oil and gas names

## Sovereign CDS



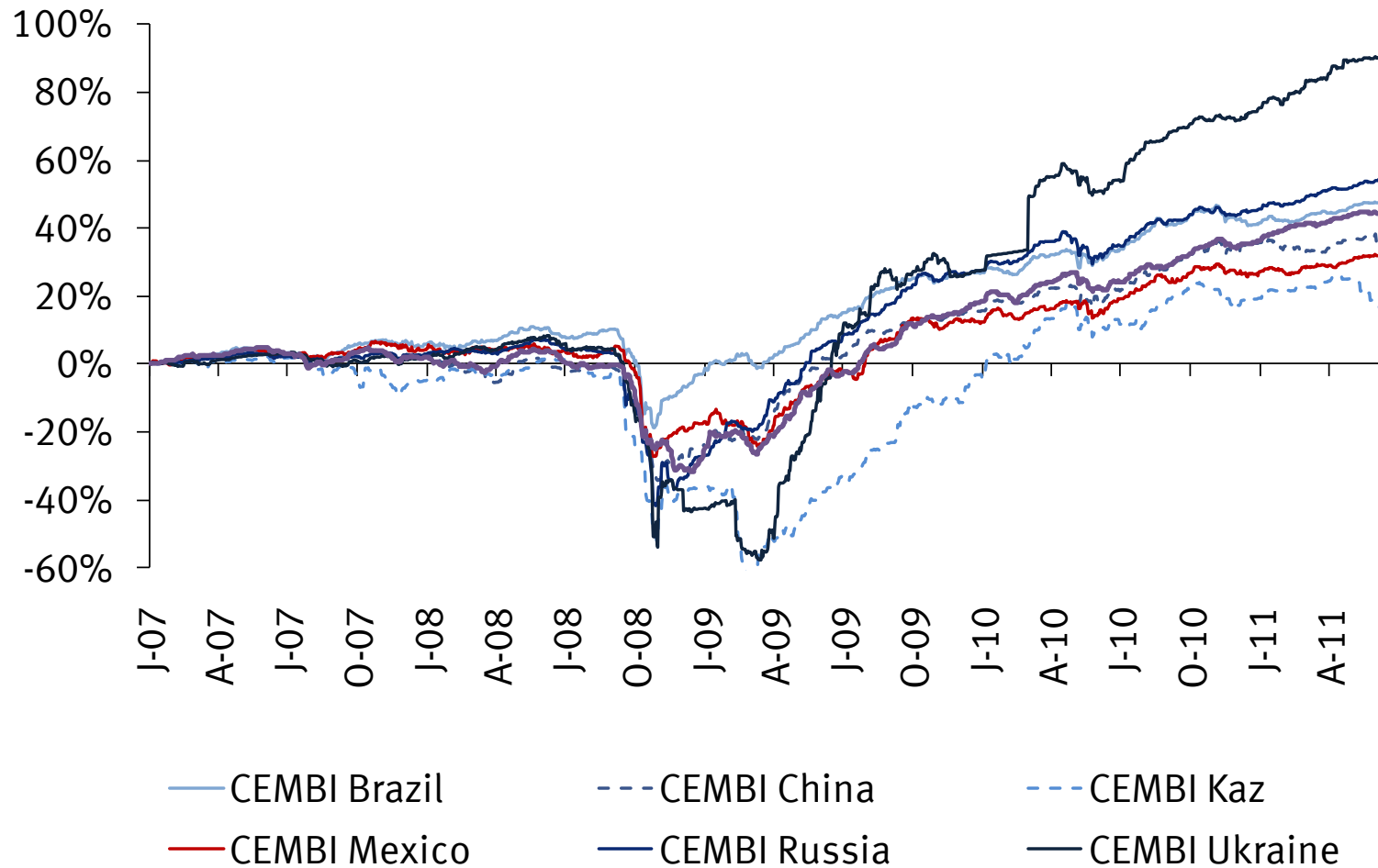
Source: Bloomberg, VTB Capital Research

## CEMBI spreads

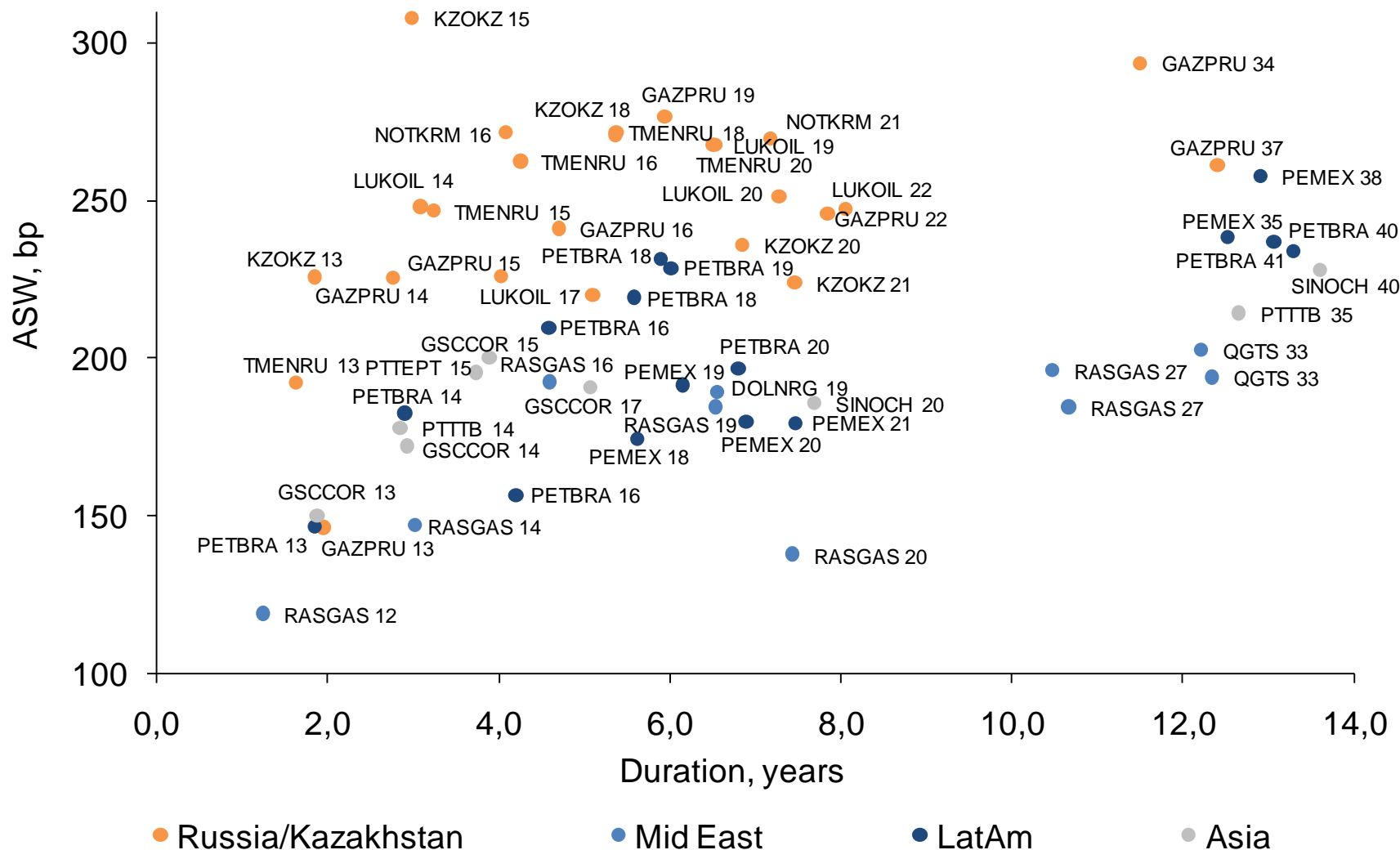


Source: Bloomberg, VTB Capital Research

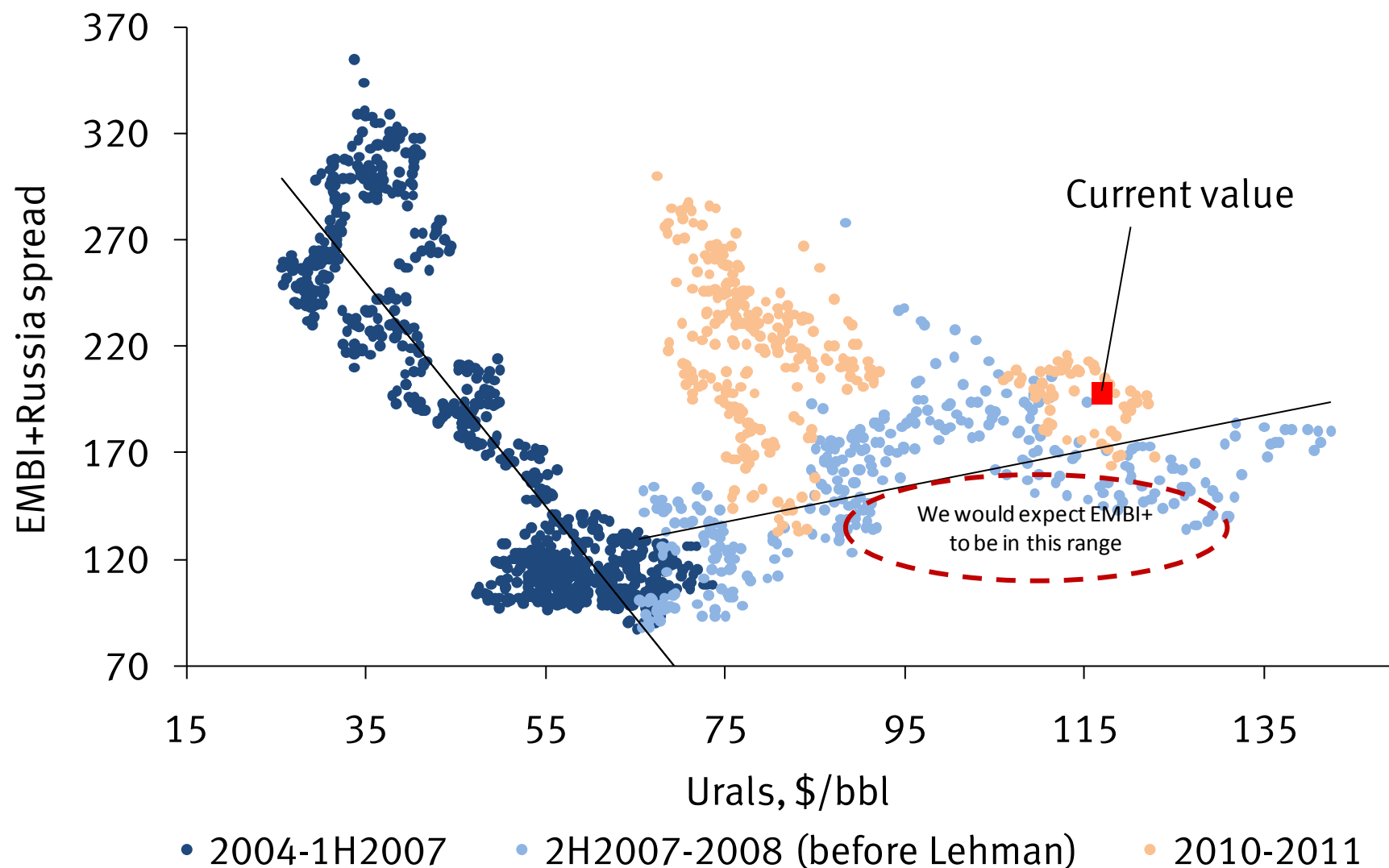
# Total return performance still best-in-class



# O&G: the cheapest sector (ex banks, of course)

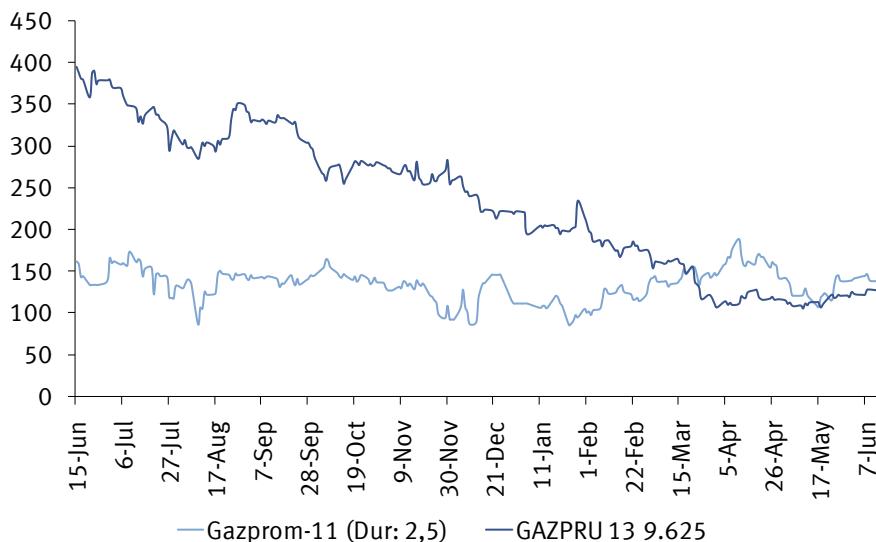


# Low spreads = oil-insensitive spreads?



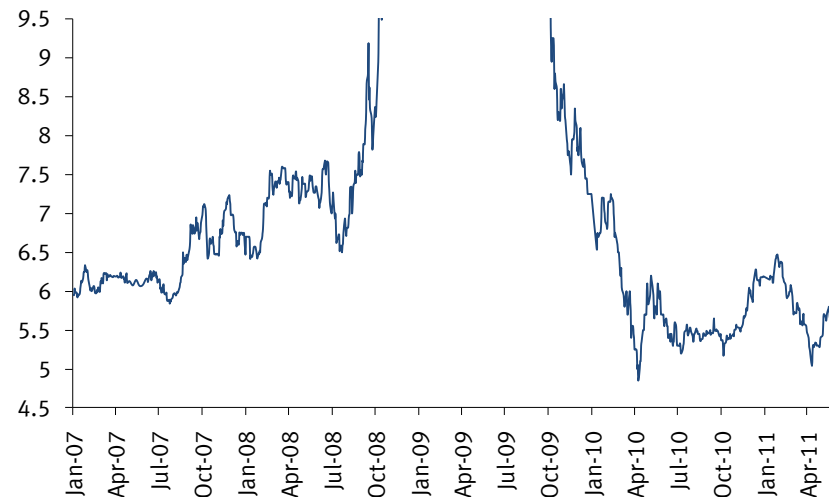
- For most of 2010, XCCY-adjusted credit spreads were still more favorable for domestic borrowings (RUB swapped into USD) vs direct eurobond issuance
- First-tier corporate borrowers saw the borrowing costs converging from Feb-Mar, when we saw 3yr XCCY rates declining from 6.5% to 5% within 2 months
- Corporate issuance and hedging is a very significant factor behind longer-term XCCY curve movements now – because this is often the only flow that drives that segment

## Gazprom XCCY-adjusted credit spreads



Source: Bloomberg, VTB Capital Research

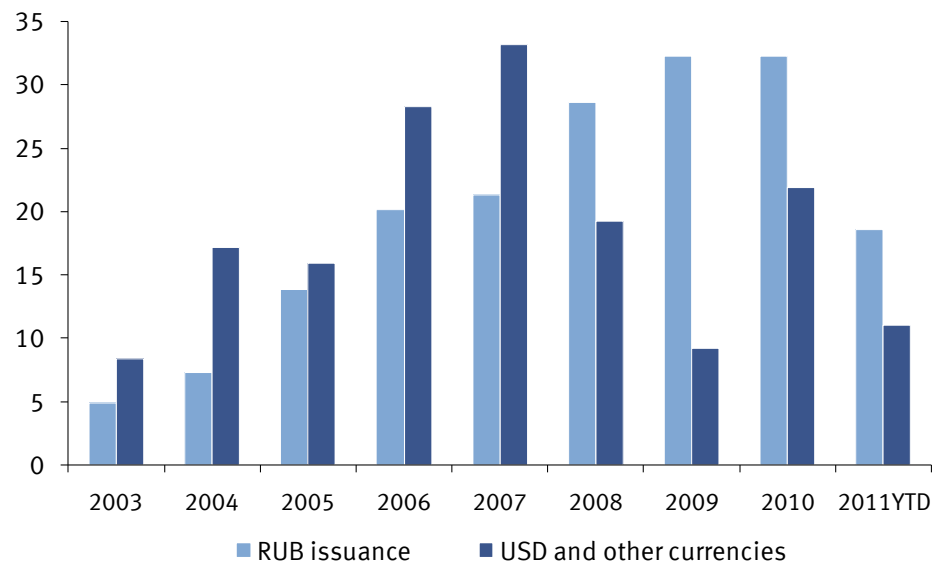
## 3Yr XCCY rates



Source: Bloomberg, VTB Capital Research

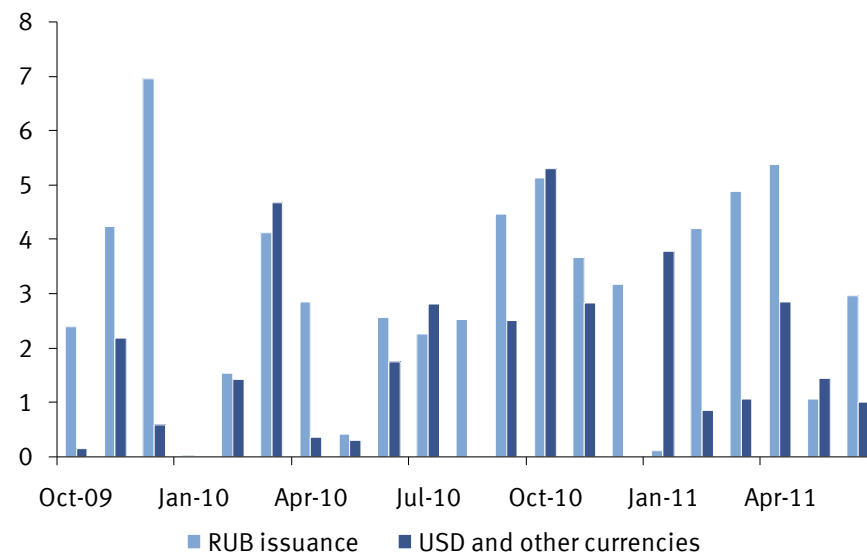
- Issuers now very actively exploiting various CCY opportunities
- Issuance post-crisis continues to be dominated by RUB rather than USD on cheaper synthetic funding achievable domestically
- Tenors increasing, 3 yrs now common, but forays into longer as well (latest RUSAL)
- Frontier deals: 20yr RZD in GBP and the CHF exposure; Acron's CNY exposure

Yearly, USD bn (gross)



Source: Bloomberg, VTB Capital Research

Monthly, USD bn (gross)



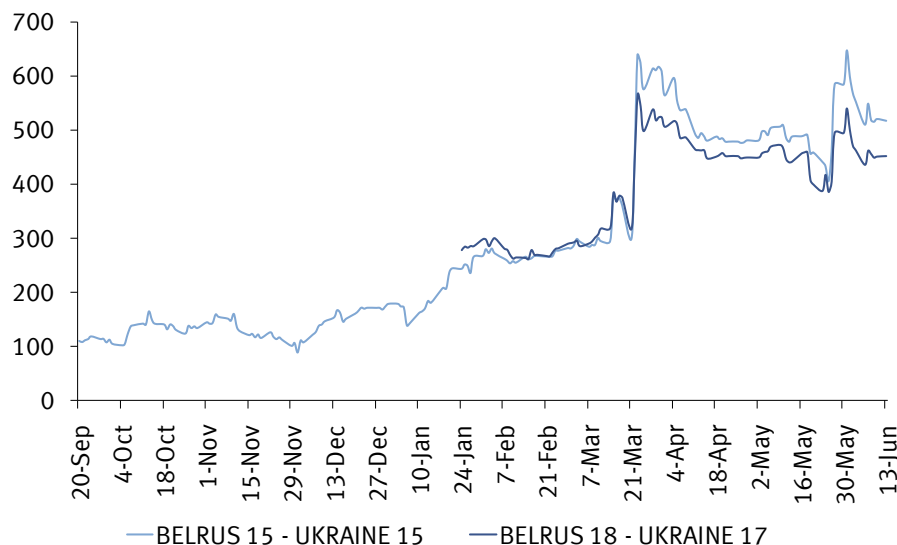
Source: Bloomberg, VTB Capital Research



# The only two fascinating stories: BELRUS & BTAS

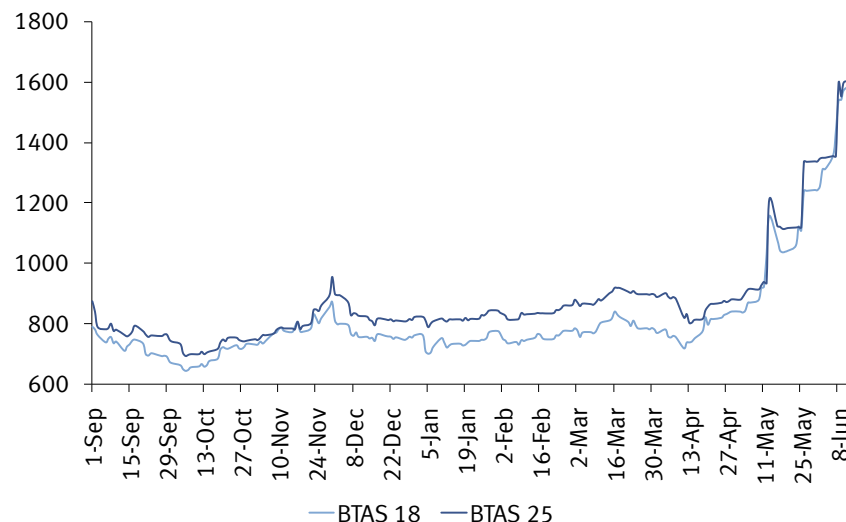
- With all credit repricing largely over and spreads very low now, interesting credit stories appear where the perceptions on amount of credit risk, rather than unit price of risk, starts to deviate from earlier consensus
- Belarus top uncertainty in the sovereign sector
- BTAS top underperformer in the banking universe

## BELRUS



Source: Bloomberg, VTB Capital Research

## BTAS



Source: Bloomberg, VTB Capital Research

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