

RenCap Says Economy Improving

By [The Moscow Times](#)

July 22, 2010

The  Moscow Times

Renaissance Capital on Thursday upgraded its view on the Russian equity market for the third quarter based on a wider economic recovery, increased government support and an improved geopolitical climate.

"It is increasingly apparent that the Russian economy is recovering gradually as we move through 2010," RenCap said in a report. "On almost all metrics, the country is well beyond crisis mode."

It said Russian corporates looked undervalued compared with peers in other emerging markets, while much had been done to repair balance sheets damaged during the financial crisis.

RenCap said it remained cautious about falling oil prices — a major influence on the Russian equity market and the greatest risk for its future performance.

"From an economic perspective, the recent decision by the Russian government to increase

the oil price used in its assumptions (from \$59 per barrel to \$75 per barrel), leaves Russia far more vulnerable to an oil price correction than a more conservative assumption," the bank said.

RenCap analysts credit the government for much of the improvement in the domestic economy, including real wages and industry output growth. The latter was pushed by government sponsored incentive schemes, such as the cash-for-clunkers program.

Some 21 percent more people were able to find jobs by June 2010 than did a year ago, with most of the rehiring taking place in infrastructure, according to RenCap.

"We therefore recommend selectively increasing Russian exposure," RenCap said, adding that it prefers stocks that offer "substantial upside potential," "exposure to growth," "a turnaround story" or "have a high dividend attached."

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