

BP-Rosneft Deal Draws Money to Funds

By [The Moscow Times](#)

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Russia-focused funds received the biggest inflows on record as investors bet that BP's share swap with Rosneft will attract more money to the world's largest energy exporter.

Flows into funds reached \$724 million in the week to Jan. 19, data compiled by Cambridge, Massachusetts-based research firm EPFR Global show. That's the most on record and more than triple the \$196 million received the previous week, according to UralSib.

Investors channeled money into funds after BP, Europe's second-largest oil company, agreed on Jan. 14 to swap 5 percent of its shares for a 9.5 percent stake in Rosneft, said Chris Weafer, UralSib's chief strategist. The two companies plan to drill in three areas in the Russian Arctic, leading to U.S. Congressman Edward Markey branding the British-based company "Bolshoi Petroleum."

"Whatever the criticism of the latest BP investment in Russia from U.S. legislators, investors view the deal as positive and voted with their cash," Weafer said in an e-mailed note Friday.

About \$333 million of the \$724 million invested in Russian funds went to exchange traded funds, Weafer said. Since late November “almost all new money” invested in Russia was via ETF funds, Weafer said. An increase in money going to mutual funds adds stability to the market and can increase the cash available for share sale issuance, he said.

The deal between Rosneft and BP is “finally getting investor’s attention,” Ovanes Oganisyan, an analyst at Renaissance Capital, said in a note.

Large inflows have come before a “correction” in the past, Weafer said. In the week to Dec. 5, 2007, for example, Russia received 5 percent of flows, Weafer said. The benchmark MICEX Index dropped 14 percent in the next two months, data compiled by Bloomberg show.

The 30-stock MICEX gauge closed down 1.7 percent at 1,733.89 Friday, its first weekly decline since September.

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