

Stocks Sink to 5-Month Low Due to BP, MSCI

By [The Moscow Times](#)

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The MICEX Index sank to its lowest in more than five months Tuesday after a share-swap deal between Rosneft and BP collapsed and crude traded at less than \$98 a barrel in New York.

The 30-stock MICEX Index retreated 0.6 percent to 1,614.07 by 3:18 p.m. in Moscow, paring an earlier loss of as much as 1.2 percent to the lowest intraday level since Dec. 2. Rosneft declined 0.9 percent. Rostelecom, the dominant long-distance carrier, slipped 5.5 percent after its shares were not included in MSCI's Russia Index. The dollar-denominated RTS Index lost 0.6 percent to 1,836.03.

Rosneft slumped after BP's proposed \$7.8 billion share swap failed to win over the Britain-based company's existing partners in Russia, AAR, with a \$32 billion buyout offer, according to a person with knowledge of the plan. TNK-BP, which was valued at \$44 billion at Monday's close, slid 2.1 percent to 80.99 rubles. Oil dropped as much as 0.8 percent to \$96.61 a barrel in New York before trading little changed at \$97.46.

"The whole Rosneft, BP, AAR fiasco is undermining confidence in the market," Julian Rimmer, a trader of Russian shares at CF Global Trading in London, wrote in e-mailed comments Tuesday.

Rostelecom's stock dropped to 168.16 rubles, snapping a seven-day winning streak. Mechel's preferred shares retreated as much as 4.3 percent and last traded 0.5 percent lower at 440.99 rubles. Brokerages including Renaissance Capital, UralSib Financial, Alfa Bank and Citigroup had forecast that the shares would be included in MSCI's semi-annual review.

Rostelecom's exclusion was a "surprise" and the stock is a "firm sell today," Luis Saenz, London-based director of international sales at brokerage Otkritie Securities, said in e-mailed comments Tuesday.

Mechel was "very much a consensus inclusion and the favorite pick of a number of banks," Saenz said.

OGK-4 slid for a second day after E.On's power utility was removed from MSCI's Russia Index. Its shares fell as much as 5.3 percent and last traded 2.3 percent lower.

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