

# Bankers See Oil as Source of Rebound

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The worldwide decline in fund indexes is not shaking the faith of investment banks in Russia. The majority of banks are forecasting a significant growth of the market by the end of the year thanks to high oil prices.

At the start of this year, analysts surveyed by Vedomosti were in agreement: By end-2011 the RTS Index will hit 2100. But since early August, the RTS Index lost 20 percent and is now at about 1650. Investment banks, however, are not rushing to change their prognosis.

VTB Capital, Troika Dialog and Renaissance Capital (which forecast 2200) are not planning on changing their forecasts. The price of oil will go up, the economy will recover, and corporations will be profitable in Russia, said Paolo Zaniboni, head of Troika Dialog's analytical department.

At the same time, instability will decrease on global markets. All these factors are still in play, so there is no basis to change our prognosis, Zaniboni said.

Reconsidering the forecast depends on how the global economy reacts to events of the past two weeks, VTB Capital strategist Alexei Zabolkin said.

There is no point in expecting a quick recovery after such a sell-off. The Russian market is heavily dependent on foreign investors. Considering the current level of uncertainty, they are not likely to readily return to emerging markets, said Yulia Teplyayeva, chief economist at BNP Paribas.

But, she adds, it would seem that in the future a serious sell-off will not happen, and the price of oil — whose forecasted price the bank is not yet ready to change — remains high. "There should be no pessimism associated with the Russian stock market," she said.

Global demand for oil is still higher than supply, and that is more than likely to continue until spring 2012, Zaniboni said. "Oil prices have shown themselves to be stable during the recovery of world markets, and we expect that until the end of the year Urals [oil] prices will remain close to our forecast of \$110 per barrel," he said.

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