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INDEPENDENT NEWS FROM RUSSIA

Russia Fails to Attract Equity Flows Despite Global Rally

By The Moscow Times

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As fears about the Syrian conflict recede, equity fund flows have increased to most emerging markets, excluding Russia, Emerging Portfolio Fund Research, or EPFR, said in a report.

According to EPFR, investors channeled $2.6 billion to emerging markets last week, a weekly maximum since February, but pulled $235 million out of Russia, Kommersant reported Monday.

The largest amount, over $757 million, went to Brazil, whose economy is frequently compared to Russia's due to its similar size.

Over $330 million was channeled to China, almost $300 million was invested in Mexico and more than $280 million went to India.

Investors' optimism was spurred by the news that the U.S. and Russia reached a deal to eliminate Syria's chemical weapons, mitigating the risk of military intervention against the country.

While the decision was largely a result of Russia's diplomatic actions, investors continue to rate the country poorly.

EPFR registered cash outflows from Russia for a seventh consecutive week. Investors have pulled almost $2.6 billion out of the country since the beginning of the year.

The main reason for cash outflows was that, despite record high oil prices, the economy continues to slow down, experts told Kommersant.

The Russian economy grew by only 1.2 percent in the second quarter, down 0.4 percent from first quarter results. It is expected to grow by 2.3 percent in 2013, compared with 3.4 percent growth in 2012.

Other reasons why investors are skeptical of Russia's market potential include high corporate risks and underdeveloped institutions, experts said.