

Russian Stocks Advance, Led by Lukoil, Surgutneftegaz, Rosneft

By William Mauldin

Oct. 15 (Bloomberg) -- Russia's Micex Index climbed to a record, led by oil companies as Citigroup Inc. raised its price estimates on the shares, citing higher oil-price forecasts.

OAo Lukoil and OAo Surgutneftegaz led the advance. OAo Polyus declined after the company reported a net loss for the first six months of 2007.

The ruble-denominated Micex Index gained 0.7 percent to 1,848.83 at 10:48 a.m. in Moscow as 26 members advanced, three retreated and one was unchanged. The dollar-denominated RTS Index climbed 0.3 percent to 2,170.33.

Lukoil increased 0.7 percent to 2,214.50 rubles on the Micex Stock Exchange. Citigroup, the biggest U.S. bank raised its price estimates on the stock by 19 percent to \$92.50 (2,306 rubles).

The stock will benefit the most from higher oil prices because of its lower production costs and greater gains from refining and other activities, Citigroup analysts James Neale and Alexander Korneev wrote in a research report dated today.

"Lukoil is still cheap," said Vladimir Matias, managing partner at Asset Capital Partners in Moscow, in an interview today. "Lukoil is a good pick in the medium term."

The price projections for shares of OAo Rosneft, OAo Gazprom Neft, Surgutneftegaz, OAo Tatneft, and TNK-BP were also raised at the brokerage, which lifted its 2008 Brent crude forecast to \$70 from \$60 a barrel.

Rosneft, Russia's largest oil producer, advanced 0.8 percent to 214.92 rubles. Surgutneftegaz, the fourth-biggest, rose 1.4 percent to 33.138 rubles.

Crude at \$84

Crude oil for November delivery traded near \$84 a barrel in New York after rising to a record last week as tensions on the Turkey-Iraq border added to concerns about the adequacy of global supplies.

OAo Transneft, Russia's state-owned crude-pipeline operator, climbed 1.3 percent to 46,650 rubles. Nikolai Tokarev, the former head of oil company Zarubezhneft, was named chief executive officer, replacing Semyon Vainshtok, according to a statement on the company's Web site.

Polyus Gold, Russia's biggest producer of the metal, dropped 0.9 percent to 1,072.01 rubles. Polyus said in a statement late on Oct. 12 that it lost \$93 million in the first half because of a partial mine closure and stock-option awards for management. Moscow-based Troika Dialog said the report was the "worst set of results in the company's public history."

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Last Updated: October 15, 2007 03:32 EDT

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