

# THE WALL STREET JOURNAL.

OCTOBER 11, 2008

## Russia Tries Speeding Aid for Markets, But Investors Don't Seem Impressed

By ALAN CULLISON

MOSCOW -- Russia scrambled to speed up its \$200 billion bailout of financial markets Friday, as investors grew increasingly doubtful of the Kremlin's commitment to reversing the rout.

While Russia has no shortage of cash to spend on a package, stocks have been pummeled by fears that its bureaucracy is too creaky to disperse the aid, and that the Kremlin may take advantage of the crisis to buy up prime assets from cash-strapped companies and oligarchs on the cheap.

Russian shares, which have fallen about 40% since the government came out with its bailout last month, took little solace from the announcement Friday, delivered by Prime Minister Vladimir Putin. Trading was suspended in Russia on Thursday and Friday, but major issues traded in London on Friday ended down more than 10%.

Mr. Putin said the government will begin buying Russian stocks next week, and will spend nearly \$7 billion before the end of the year. The government, he said, will spend the same amount in 2009, and that the purchases will be placed by the state-controlled Development Bank, known in Russian as Vneshekonombank.

"Development Bank will start placing funds in Russian shares, not foreign shares, next week," Mr. Putin said.

The Kremlin-controlled parliament, meanwhile, moved to approve elements of the market-rescue plan that will move money into the stricken banking sector. The lower house approved \$50 billion in government refinancing to Russian companies and a \$36 billion injection of long-term loans into the banking sector.

The upper house of parliament, the Federation Council, is holding an emergency session Monday where it is expected to rush the measure to President Dmitry Medvedev for approval.

While tightening credit hasn't yet had as wide an effect in Russia as in Western economies, softening commodity prices are beginning to hit some industries. Steelmaker Severstal said Friday it is cutting production by 25% in Russia and by 30% in the U.S. It follows moves by other metal companies to trim production, delay projects and cut back working hours.

Peter Halloran, president of the Moscow-based Pharos Financial Group, said the market's tepid reaction to Mr. Putin's reassurances demonstrates the depth of worries over Russia's economic dilemmas, as well as the government's commitment to solving them.

"Either the market doesn't believe what the government is saying, or there are a lot of forced sellers out there that are going to keep on selling," Mr. Halloran said.

The money promised for stocks -- about 10% of the free-float on the Russian market -- "should have sent stocks up about 20%," he said. Instead there was a hiccup of investors covering short bets, then more selling.

The government has not said which stocks it will buy in the Russian market, but analysts expect purchases to focus on big state-controlled firms such as Sberbank and the oil company Rosneft, in which small Russian investors own shares.

In addition to the share purchases, Mr. Putin said Russia is raising its guarantees on personal bank deposits 700,000 rubles, or \$26,760.

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