

Russian Equities Weekly

August 17 –21, 2020

	Week	YTD
MSCI Russia 10/40 TR in USD	-4.9%	-10.8%
MSCI EM index TR in USD	-0.1%	-0.5%
Excess return	-4.8%	-10.3%
Due to Russia specific factors*	-3.6%	-0.4%
Due to difference in sector structure*	-1.2%	-9.9%
Key commodities**		
Oil	-1.0%	-34.5%
Gold	-1.0%	27.0%
FX		
RUB/USD	-2.6%	-17.1%
RUB/EUR	-2.6%	-21.5%

* See details of methodology in the end of the report

** Energy weight in the MSCI Russia 10/40 is 32%, Gold producers weight in the index is 11% (weights are as at the end of July 2020)

Data as of 21 August 2020

TKB Investment Partners (JSC) calculations; Bloomberg

	Current
Upside/downside to fair price	10%

Data as of 21 August 2020
TKB Investment Partners (JSC) calculations

Macroeconomic indicators continue to recover

Russian equity market dynamics

Last week, the Russian equity market underperformed the broader emerging markets (EM) index. This was mainly due to Russia specific factors:

- The weakening of the rouble amid geopolitical risks was the main detractor from the Russian market's performance. Concerns over potential sanctions due to alleged Russian interference in the affairs of Belarus led to investors selling off rouble-denominated assets.
- The Russian energy sector remained under pressure amid investor anxiety over the Ministry of Finance's proposal to amend the tax code to raise an additional RUB 143 billion (~USD 1.9 billion) in taxes from the oil industry over the next two years. The proposal is yet to be discussed by the government.

Main Russian news

Most of Russia's key macroeconomic indicators improved in July.

Although industrial production continued to increase in the manufacturing segment, it still contracted on an annualised basis but by less than in June. Extraction activities were hit by lower oil production on the back of the OPEC+ agreement. Retail sales improved significantly in the non-food segment due to COVID-19 related lockdown restrictions being eased. Rosstat published real wage growth data for May which showed an increase of 1.0% YoY.

Indicator	Growth YoY	
	June 2020	July 2020
Industrial production	-9.4%	-8.0%
Manufacturing	-6.4%	-3.3%
Extraction	-14.2%	-15.1%
Retail sales	-7.7%	-2.6%
Food	-3.7%	-2.2%
Non-food	-11.3%	-2.7%
Real wages	0.6%	not available

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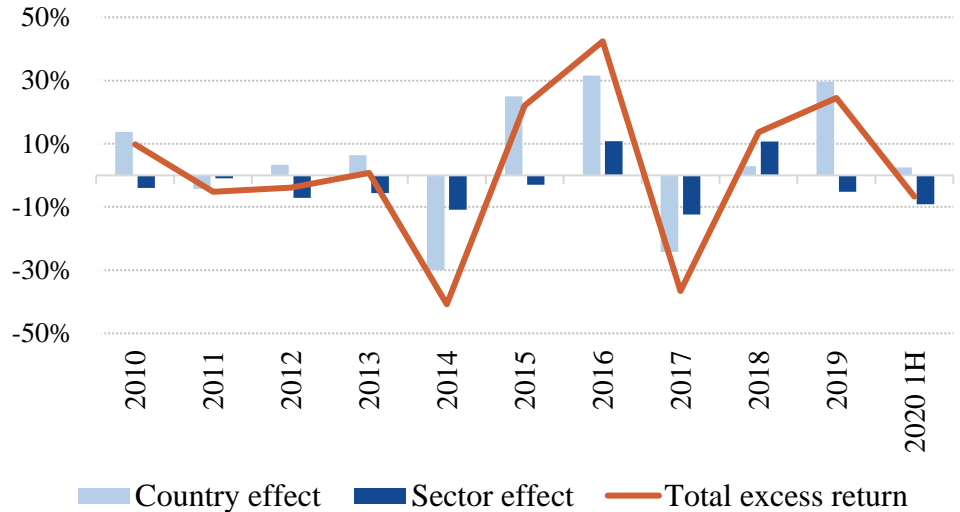
To watch...

There is no significant news due for publication this week.

Sources: Rosstat, Vedomosti, Bloomberg, TKB Investment Partners (JSC); August 2020

Country and sector effect for Russia vs EM excess return

We constructed an index from the EM sector indices with the structure of MSCI Russia 10/40 Index. For example, we took MSCI EM Energy index and weighed it as 35%, MSCI EM Materials index – 35%, etc. Let’s call it MSCI EM Russia sector weight (MSCI EM RSW). Excess return due to sector factors is MSCI EM RSW minus MSCI EM. Excess return due to Russia specific factors is MSCI Russia 10/40 minus MSCI EM RSW.



Source: Bloomberg, TKB Investment Partners; data as of 21 August 2020

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