

Russian Equities Weekly

August 24 – 28, 2020

	Week	YTD
MSCI Russia 10/40 TR in USD	-0.1%	-10.9%
MSCI EM index TR in USD	2.8%	2.3%
Excess return	-2.9%	-13.2%
Due to Russia specific factors*	-1.6%	-2.0%
Due to difference in sector structure*	-1.3%	-11.1%
Key commodities**		
Oil	2.7%	-32.7%
Gold	1.7%	29.2%
FX		
RUB/USD	1.0%	-16.3%
RUB/EUR	0.0%	-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 28 August 2020

TKB Investment Partners (JSC) calculations; Bloomberg

	Current
Upside/downside to fair price	12%

Data as of 28 August 2020
TKB Investment Partners (JSC) calculations

The wave of the global optimism has lifted not all the ships

Russian equity market dynamics

Last week, the Russian equity market underperformed the broader emerging markets (EM) index. The EM were supported by US Federal Reserve approval of a new, softer inflation policy. The easing was taken by investors as a sign that the key rate will be kept at around 0% for the long term. At the same time Russian market relative performance was pressured by both country-specific and sector-specific factors:

- **Concerns about the risk related to Russia potential interference in Belarus' affairs** continue to weigh on the Russian market. President Putin announced his readiness to support the Belarusian government with the help of a created law enforcement reserve in case of extremist actions such as arsons, looting or attempting to seize government buildings.
- The consumer discretionary sector is absent from the MSCI Russia 10/40 index. **Thus, the EM consumer discretionary sector rising by 7% had the largest negative impact on the Russian market** relative performance from the sector-specific perspective.

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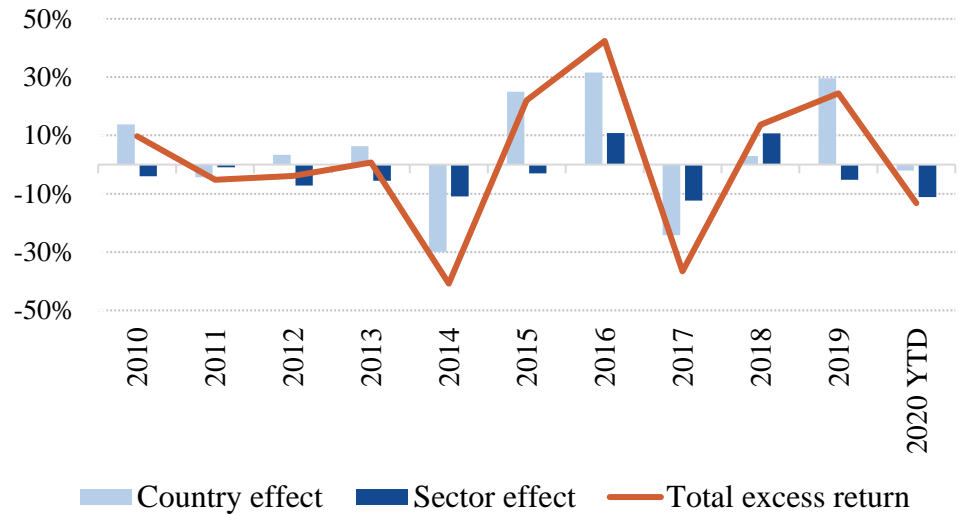
To watch...

Rosstat is due to post inflation figures for August 2020 later 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 28 August 2020

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