

Russian Equities Weekly

October 5 - 9, 2020

	Week	YTD
MSCI Russia 10/40 TR in USD	1.7%	-16.7%
MSCI EM index TR in USD	3.8%	2.6%
Excess return	-2.0%	-19.3%
Due to Russia specific factors*	-1.6%	-2.7%
Due to difference in sector structure*	-0.4%	-16.6%
Key commodities**		
Oil	9.4%	-37.5%
Gold	1.1%	27.0%
FX		
RUB/USD	1.9%	-19.2%
RUB/EUR	0.9%	-23.6%

* See details of methodology in the end of the report

** Energy weight in the MSCI Russia 10/40 is 33%, Gold producers weight in the index is 9% (weights are as at the end of September 2020)

Data as of 9 October 2020

TKB Investment Partners (JSC) calculations; Bloomberg

	Current
Upside/downside to fair price	15%

Data as of 9 October 2020
TKB Investment Partners (JSC) calculations

Number of private investors hits new record high

Russian equity market dynamics

Last week, the Russian equity market underperformed the broader emerging markets (EM) index, mainly due to the impact from Russia-specific factors. Investor concerns over the Russian equity market rose as France and Germany announced plans to propose new sanctions on Russian individuals in connection with the alleged poisoning of a prominent government opposition activist.

We believe that introduction of material sanctions is unlikely. Read more in our recent [white paper](#).

Main Russian news

Inflation in Russia accelerated in September to 3.7% YoY from 3.6% YoY at the end of August. While inflation accelerated in both the food and non-food segments, it slowed in the services sector. Food inflation rose to 4.4% YoY from 4.3%, while non-food inflation rose to 3.8% YoY vs. 3.4% a month earlier. Inflation in the services sector slowed to 2.5% YoY from 2.7% in August.

The Moscow Exchange announced another new record level of new individual broker accounts. In September, more than 610 600 people joined the Moscow Exchange, the highest monthly growth in the exchange's history. **The number of individual investors reached 6.8 million people, a 79% increase since the beginning of the year.** The trading involvement of private investors is also growing: More than 1 million traded in September. In comparison, during H1 2020, the average number of active monthly trades by private investors was 0.3 million. **The rising number of private investors in the Russian equity market has started to become a new supporting force for Russian stocks.**

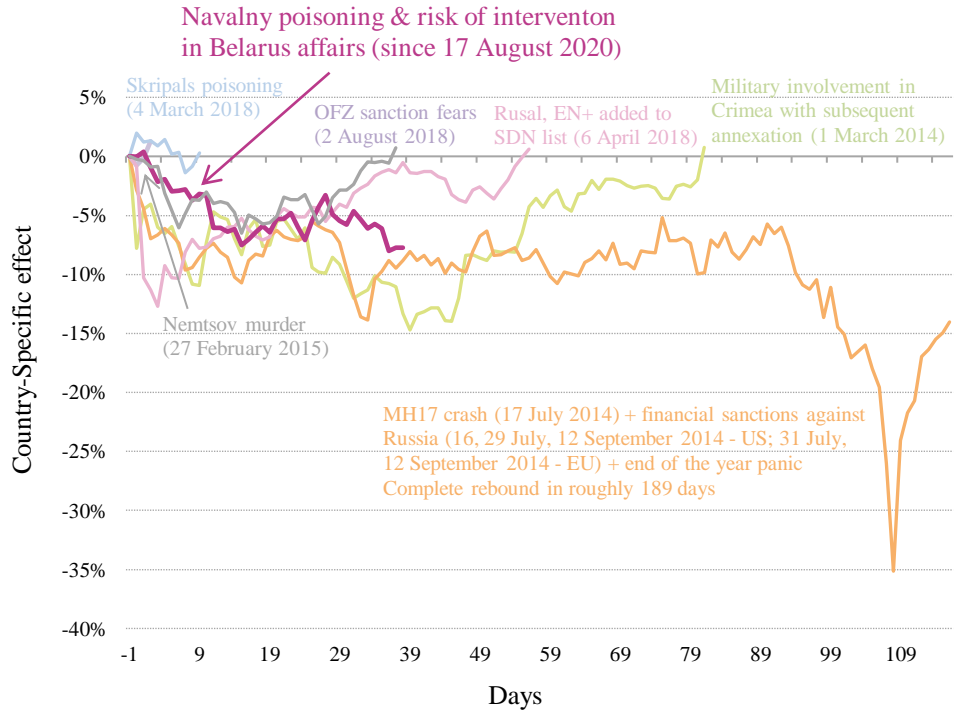
*Author: Aleksandra Kuznetsova,
Junior Investment Specialist*

To watch...

Rosstat is due to publish industrial production figures for September later this week.

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

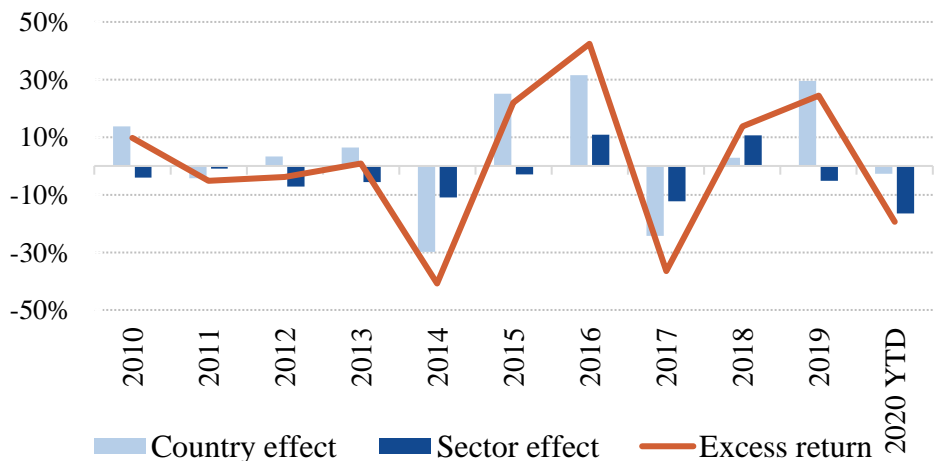
Cumulative Russia-specific effect on excess return of Russia vs. EM after sanction risk-related events



Note: The cumulative country-specific effect is demonstrated from the day before the sanctions risk-related event until the effect evaporates. Based on net return figures, in USD terms.
Source: Bloomberg, TKB Investment Partners; October 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 9 October 2020

For more information:

TKB Investment Partners (JSC)
69/71, lit. A, Marata Street
Saint Petersburg, 191119, Russia

Tel: +7 812 332 73 32
Fax: +7 812 324 65 57

info@tkbip.ru
www.tkbip.com

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