

Russian Equities Weekly

November 16 - 20, 2020

	Week	YTD
MSCI Russia 10/40 TR in USD	2.7%	-10.9%
MSCI EM index TR in USD	1.8%	10.6%
Excess return	1.0%	-21.5%
Due to Russia specific factors*	1.0%	-3.4%
Due to difference in sector structure*	0.0%	-18.1%
Key commodities**		
Oil	5.6%	-33.3%
Gold	-0.8%	23.8%
FX		
RUB/USD	1.3%	-18.6%
RUB/EUR	1.8%	-22.9%

* 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 October 2020)

Data as of 20 November 2020

TKB Investment Partners (JSC) calculations; Bloomberg

	Current
Upside/downside to fair price	12%

Data as of 20 November 2020
TKB Investment Partners (JSC) calculations

Russia outperforms EMs for the third week running

Russian equity market dynamics

Last week, the Russian equity market outperformed the broader emerging markets (EM) index. This was mainly due to Russia-specific factors, such as the rouble strengthening, which likely occurred on the back of foreign investors' increased interest in local bonds.

Main Russian news

Russia's key macroeconomic indicators were mixed in October. Industrial production worsened due to a slowdown in manufacturing. The slight improvement in the extraction segment was not enough to compensate. On the other hand, retail sales improved on the previous month but have still declined on an annualised basis in both the food and non-food segments. Rosstat published real wage growth data for September which showed an increase of 2.2% YoY.

Indicator	Growth YoY	
	September 2020	October 2020
Industrial production	-3.6% *	-5.9%
Manufacturing	0.5% *	-4.4%
Extraction	-9.4% *	-8.8%
Retail sales	-3.0%	-2.4%
Food	-4.6%	-3.6%
Non-food	-1.3%	-1.1%
Real wages	2.2%	Not available

*Data revised by Rosstat

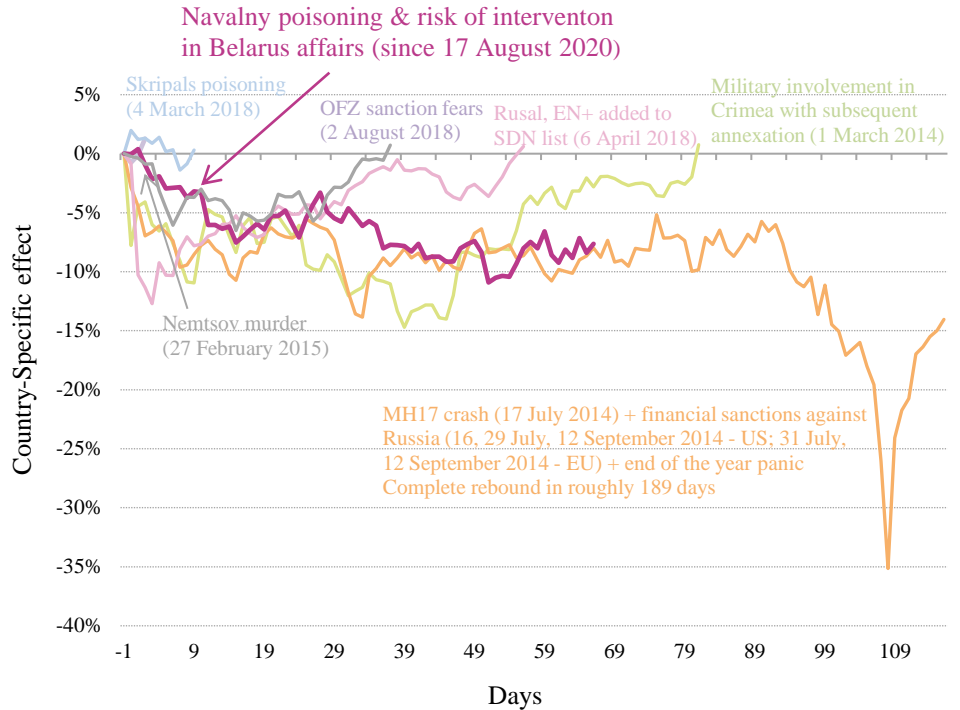
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To watch...

There is no significant news due this week.

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

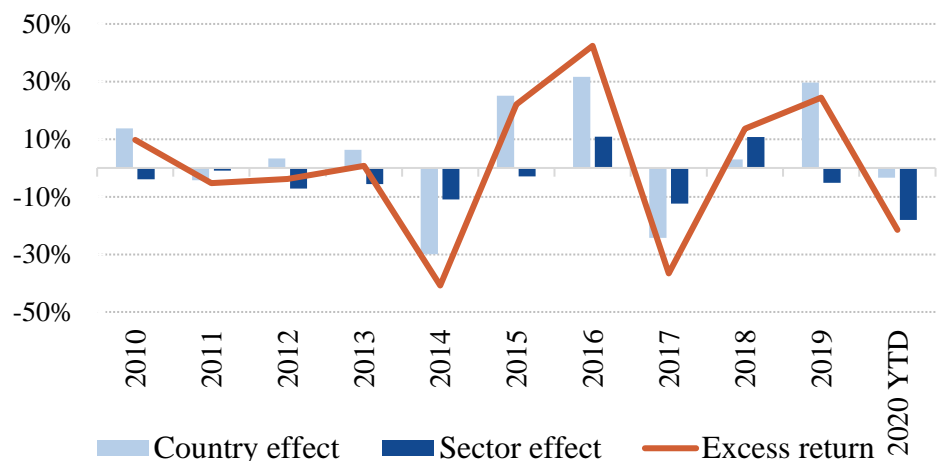
Cumulative Russia-specific effect on excess return of Russia vs. EM after sanction risk-related events



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; November 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 20 November 2020

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