

Russian Equities Weekly

November 23 - 27, 2020

	Week	YTD
MSCI Russia 10/40 TR in USD	2.7%	-8.4%
MSCI EM index TR in USD	1.8%	12.5%
Excess return	1.0%	-21.0%
Due to Russia specific factors*	-0.1%	-3.8%
Due to difference in sector structure*	1.1%	-17.2%
Key commodities**		
Oil	7.5%	-28.2%
Gold	-5.1%	17.5%
FX		
RUB/USD	0.3%	-18.4%
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 October 2020)

Data as of 27 November 2020

TKB Investment Partners (JSC) calculations; Bloomberg

	Current
Upside/downside to fair price	8%

Data as of 27 November 2020
TKB Investment Partners (JSC) calculations

Russia outperforms the broader emerging markets for the fourth week running

Russian equity market dynamics

Last week, the Russian equity market outperformed the broader emerging markets (EM) index. This was mainly due to sector-specific factors. The overweight in the energy sector supported the Russian equity market as oil prices rose by 8% during the week. The overweight in the materials sector provided additional support to the Russian equity market as the prices of metals increased.

Main Russian news

The Central Bank of Russia (CBR) reported that **growth of equity and bonds investments by individual investors exceeded growth in bank deposits during the first nine months of 2020**. The volume of **client funds held with brokers increased by 20% to about USD 81 billion** during that period. In October, Russian citizens withdrew around USD 1.2 billion from bank deposits, the second consecutive month in which depositor withdrawals exceeded USD 1 billion. While some took money out because they had lost some income during the Covid pandemic or to make the most of low mortgage rates to purchase property, others switched their investments to the securities market. **The low deposit rates at banks have pushed individual investors to search for alternative sources of income, such as Russian equities**. Individual investors have become the new force supporting the Russian stock market. Read more in our recent [white paper](#).

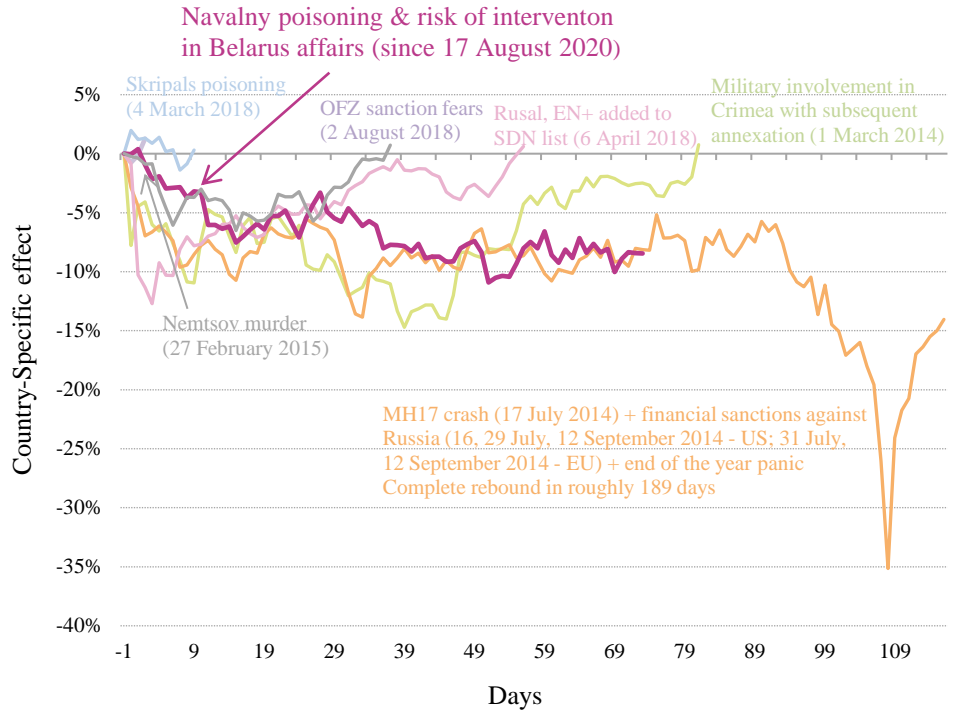
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To watch...

Rosstat is due to publish inflation figures for November.
OPEC and OPEC+ will hold a meeting at the beginning of the week.

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

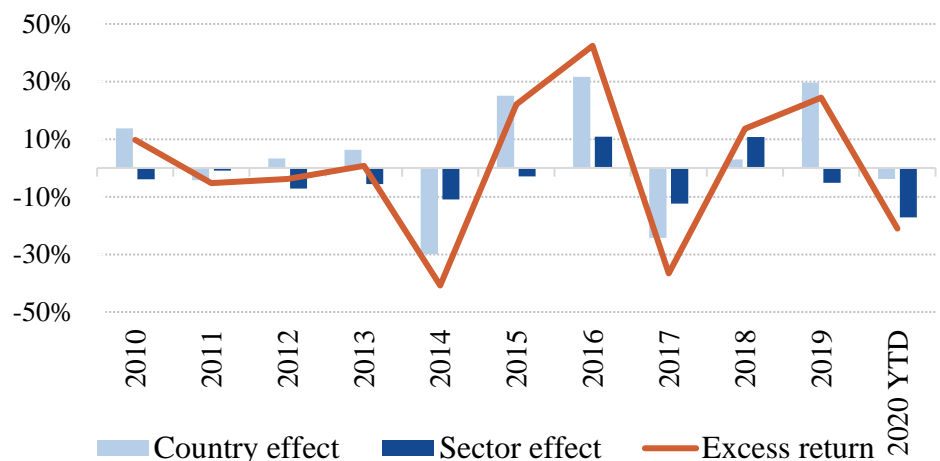
Cumulative Russia-specific effect on excess return of Russia vs. EM after sanction risk-related events



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 27 November 2020

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