

Russian Equities Weekly

January 4 – 8, 2021

	Week	YTD
MSCI Russia 10/40 TR in USD	4.7%	4.7%
MSCI EM index TR in USD	4.8%	4.8%
Excess return	-0.1%	-0.1%
Due to Russia specific factors*	-0.2%	-0.1%
Due to difference in sector structure*	0.1%	0.0%
Key commodities**		
Oil	9.1%	9.2%
Gold	-1.3%	-1.3%
FX		
RUB/USD	-0.1%	-0.1%
RUB/EUR	-0.9%	-0.9%

* 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 9% (weights are as at the end of December 2020)

Data as of 8 January 2021

TKB Investment Partners (JSC) calculations; Bloomberg

	Current
Upside/downside to fair price	-3%

Data as of 8 January 2021

TKB Investment Partners (JSC) calculations

Off to a good start

Russian equity market dynamics

Last week, the Russian equity market rose in line with the broader emerging markets (EM) index. The markets followed the global rally amid expectations of more US stimulus following Joe Biden's announcement that he is assembling a multitrillion-dollar COVID-19 relief package.

Main Russian news

According to Rosstat's preliminary data, inflation in Russia accelerated to 4.9% YoY at the end of December from 4.4% YoY at the end of November. The most significant increase within the consumer price index (CPI) was in the food segment, rising to 6.7% YoY in December from 5.8% in November, while non-food inflation rose to 4.8% YoY from 4.5%.

OPEC+ agreed to extend the current level of oil production cuts for February and March 2021. At the same time, special conditions were agreed for Russia and Kazakhstan, which will increase their oil production by 65 000 bbl/day and 10 000 bbl/day, respectively. Saudi Arabia, meanwhile, said it would voluntarily cut its production by 1 million bbl/day from January's levels. The quotas of other OPEC+ members are to remain unchanged.

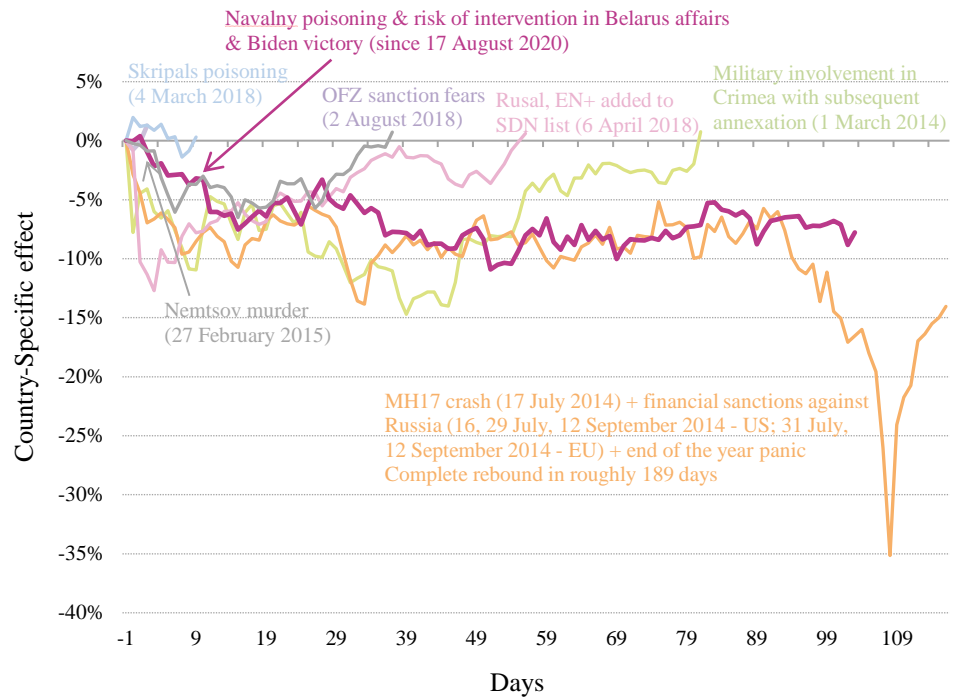
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To watch...

There is no significant news due this week

Sources: CBR, Vedomosti, Bloomberg, TKB Investment Partners (JSC); January 2021

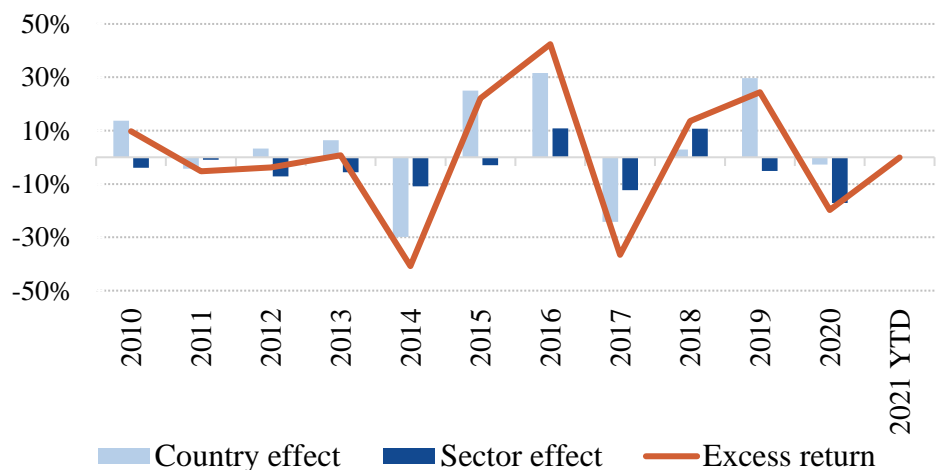
Cumulative Russia-specific effect on excess return of Russia vs. EM after sanction risk-related events



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; January 2021

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 8 January 2021

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