

# Russian Equities Weekly

## April 19-23, 2021

	Week	YTD
<b>MSCI Russia 10/40 TR in USD</b>	1.5%	6.7%
<b>MSCI EM index TR in USD</b>	0.3%	5.2%
<b>Excess return</b>	1.2%	1.5%
Due to Russia specific factors*	1.6%	-0.5%
Due to difference in sector structure*	-0.4%	2.0%
<b>Key commodities**</b>		
Oil	-1.7%	27.8%
Gold	0.4%	-5.6%
<b>FX</b>		
RUB/USD	1.1%	-1.1%
RUB/EUR	0.0%	-0.9%

\* See details of methodology at the end of the report

\*\* We use Brent Oil and LBMA Gold price data, in USD terms. Energy weight in the MSCI Russia 10/40 is 35%; gold producers' weight in the index is 8% (as at the end of March 2021)

Data as of 23 April 2021

TKB Investment Partners (JSC) calculations; Bloomberg

	Current
<b>Upside/downside to fair price</b>	5%

Data as of 23 April 2021

TKB Investment Partners (JSC) calculations

## Central Bank of Russia raises its key rate to 5%

### Russian equity market dynamics

**Last week, the Russian equity market outperformed the broader emerging market (EM) index by 1.2%.** The relative outperformance was mainly due to Russia-specific factors. Sanctions fears eased further as investors saw no material effect from the latest sanctions on the Russian economy. According to the Central Bank of Russia, the outflow from Russian government debt since the sanctions were announced has totalled RUB 43 billion (USD 0.6 billion), which it views as insignificant.

## Main Russian news

**The Central Bank of Russia (CBR) raised its key rate by 50bp to 5%.** This was the second key rate increase in the last two months. The move was explained by a rapid recovery of consumption after the pandemic shock and higher-than-expected inflation. The CBR claimed that any further increase of the key rate will be discussed at the next monetary policy meeting on 4 May. Additionally, the CBR published the key rate forecast for the first time. **The regulator expects the average key rate to be in the 4.8%-5.4% range in 2021, 5.3%-6.3% in 2022 and 5%-6% in 2023.**

**Russia's key macroeconomic indicators were mixed in March.** Industrial production improved, mainly due to increased output in the manufacturing segment. Retail sales weakened in both the food and non-food segments. Rosstat published real wage growth data for February, which showed an increase of 2.0% YoY.

Key macroeconomic indicators, YoY dynamics

	February 2021	March 2021
<b>Industrial production</b>	-3.2%*	1.1%
Manufacturing	-1.7%*	4.2%
Extraction	-9.0%*	-5.6%
<b>Retail sales</b>	-1.5%*	-3.4%
Food	-3.0%*	-6.0%
Non-food	0.1%*	-0.8%
<b>Real wages</b>	2.0*	Not available

\*Data updated by Rosstat

**Russia's President Vladimir Putin announced new social support measures.** They include:

- Payments to families with children of school age, pregnant women and single-parent families with children under 16 years old
- A cash-back programme to stimulate tourism within Russia
- Support measures for the regions. The entire volume of regions' commercial debt, which equates to more than 25% of their own revenues, will be replaced by budget loans with maturities until 2029. The regions will also be provided with infrastructure budget loans at a rate not higher than 3% and a maturity of 15 years.

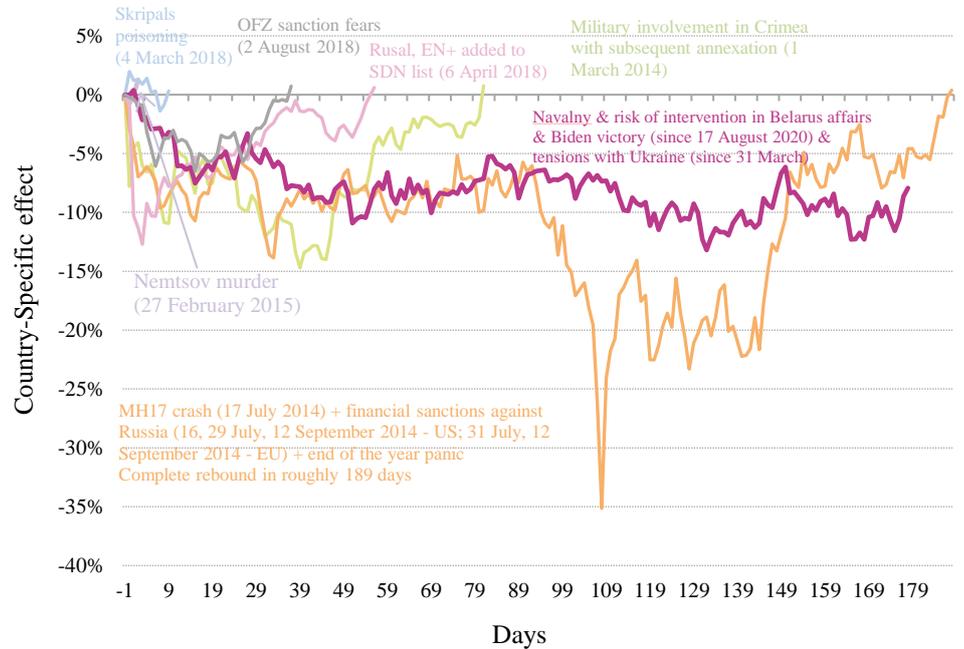
**The Minister of Finance, Anton Siluanov, said the measures would cost some RUB 400 billion (USD 5.3 billion),** most of which – RUB 270 billion (USD 3.6 billion) will be spent in 2021. According to the Minister, the new measures pose no inflation risk as they will only draw on budget funds and not involve external funding.

*Author: Aleksandra Kuznetsova  
Investment Specialist*

## To watch...

There is no significant news to follow this week.

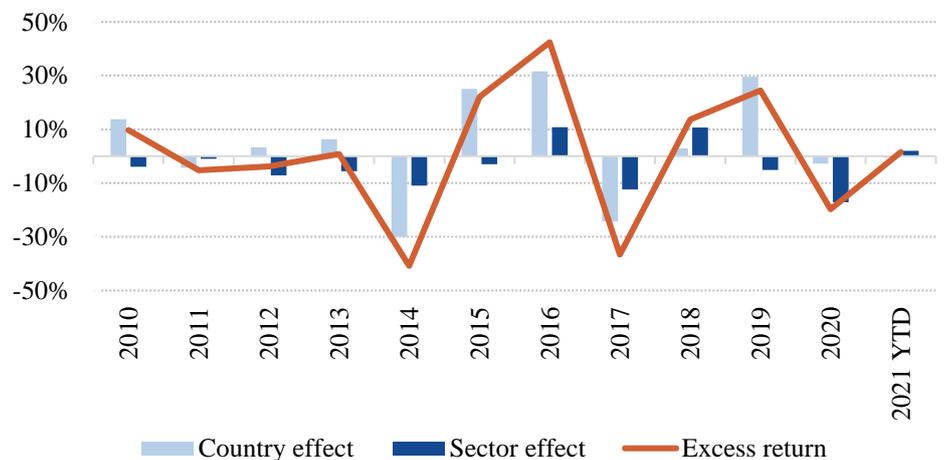
## Cumulative Russia-specific effect on excess return of Russia vs. EM after sanction risk-related events



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; April 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 23 April 2021

## 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](mailto:info@tkbip.ru)  
[www.tkbip.com](http://www.tkbip.com)

This material is issued and has been prepared by TKB Investment Partners (JSC).

This material is produced for information purposes only and does not constitute:

1. An offer to buy nor a solicitation to sell, nor shall it form the basis of or be relied upon in connection with any contract or commitment whatsoever or
2. Any investment advice.

Opinions included in this material constitute the judgment of TKB Investment Partners (JSC) at the time specified and may be subject to change without notice. TKB Investment Partners (JSC) is not obliged to update or alter the information or opinions contained within this material. Investors should consult their own legal and tax advisors in respect of legal, accounting, domicile and tax advice prior to investing in the Financial Instrument(s) in order to make an independent determination of the suitability and consequences of an investment therein, if permitted. Please note that different types of investments, if contained within this material, involve varying degrees of risk and there can be no assurance that any specific investment may either be suitable, appropriate or profitable for a client or prospective client's investment portfolio.

Given the economic and market risks, there can be no assurance that any investment strategy or strategies mentioned herein will achieve its/their investment objectives.

This material shall not be considered as any kind of a guarantee or a promise of the future effectiveness (profitability or break-even) of investment activity. Results of investments in the past shall not be considered as a guarantee of such results in future. All past performance data have documental confirmation. There are no guarantees of profits or returns from financial instruments unless otherwise clearly indicated in respective prospectus or fund's legal documentation.

Returns may be affected by, amongst other things, investment strategies or objectives of the financial instrument(s) and material market and economic conditions, including interest rates, market terms and general market conditions. The different strategies applied to the financial instruments may have a significant effect on the results portrayed in this material. The value of an investment account may decline as well as rise.

Investors may not get back the amount they originally invested.

The performance data, as applicable, reflected in this material, do not take into account the commissions, costs incurred on the issue and redemption and taxes.

TKB Investment Partners (JSC) is the legal entity registered under laws of Russian Federation with principal state registration number (ORGN) 1027809213596, having its registered address at: 69/71, lit. A, Marata street, Saint-Petersburg, 191119, Russia, holding the license issued by FFMS of Russia to carry out asset management of mutual funds & non-state pension funds Nr. 21-000-1-00069 as of 17 of June 2002 (validity of license – unlimited), and the license of FFMS of Russia of professional securities market participant to carry out the trust management activity Nr. 040-09042-001000 as of 11 April 2006 (validity of license – unlimited). Phone: +7 (812) 332-7332, fax: +7 (812) 346-6557.