

# Russian Equities Weekly

## June 28 – July 2, 2021

	Week	YTD
<b>MSCI Russia 10/40 TR in USD</b>	-0.5%	17.7%
<b>MSCI EM index TR in USD</b>	-1.7%	6.0%
<b>Excess return</b>	1.2%	11.7%
Due to Russia specific factors*	0.8%	5.7%
Due to difference in sector structure*	0.4%	6.0%
<b>MSCI EM HDY index TR in USD**</b>	-1.5%	9.7%
<b>Key commodities***</b>		
Oil	0.8%	49.3%
Gold	0.0%	-5.4%
<b>FX</b>		
RUB/USD	-1.5%	1.2%
RUB/EUR	-0.9%	3.6%

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

\*\*MSCI Emerging Markets High Dividend Yield Index

\*\*\* We use Brent Oil and LBMA Gold price data, in USD terms. Energy weight in the MSCI Russia 10/40 is 36%; gold producers' weight in the index is 8% (as at the end of June 2021)

Data as of 2 July 2021

TKB Investment Partners (JSC) calculations; Bloomberg

	Current
<b>Upside/downside to fair price</b>	6%

Data as of 2 July 2021

TKB Investment Partners (JSC) calculations

## Economic output increases in May

### Russian equity market dynamics

**Last week, the Russian equity market outperformed the broader emerging market (EM) index by 1.2%.** This was due to both a Russia-specific factor, and the difference in the indices' structure.

- **Russia-specific factor:** The positive effect came as tensions eased between Russia and the UK about the presence in the Black Sea of a British vessel.
- **Sector-specific factor:** The Russian equity market gained additional support from the overweight in the index of the energy and materials sectors, both of which outperformed the broader EM market.

## Main Russian news

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**Russia's key macroeconomic indicators improved in May.** Industrial production increased in both the manufacturing and extraction segments. It was the first time since February 2020 that the extraction segment had posted growth. Retail sales also strengthened in both the food and non-food segments. According to Rosstat, the main reason for such a significant increase in indicators was the low base 12 months earlier, when lockdowns were introduced to halt the spread of Covid-19. Rosstat published real wage growth data for April, which showed an increase of 7.8% YoY.

### Key macroeconomic indicators, YoY dynamics

	April 2021	May 2021
<b>Industrial production</b>	7.6%*	11.8%
Manufacturing	14.9%*	11.4%
Extraction	-1.8%*	12.3%
<b>Retail sales</b>	35.1%	27.2%
Food	10.3%	8.5%
Non-food	68.4%	50.0%
<b>Real wages</b>	7.8%*	Not available

\*Data updated by Rosstat

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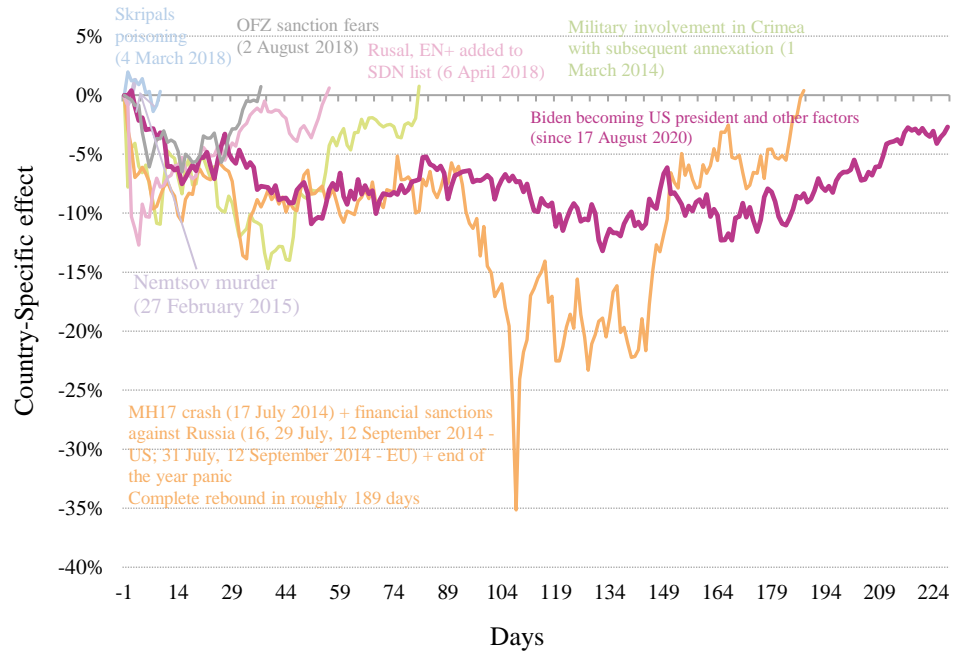
## To watch...

Rosstat is due to publish inflation data for June later this week.

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Sources: Rosstat, Bloomberg, TKB Investment Partners (JSC); July 2021

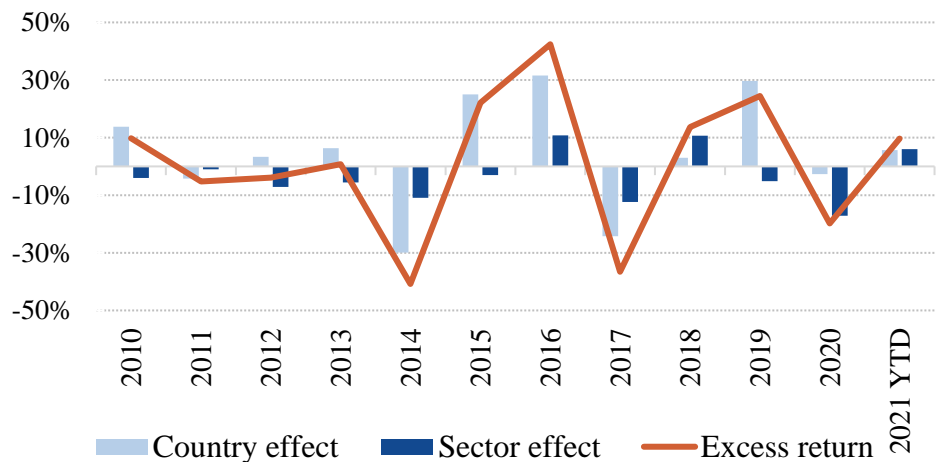
## Cumulative Russia-specific effect on excess return of Russia vs EM after sanction risk-related events



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; June 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 25 June 2021

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