

# Russian Equities Weekly

## September 6 – 10, 2021

	Week	YTD
<b>MSCI Russia 10/40 TR in USD</b>	-0.9%	20.9%
<b>MSCI EM index TR in USD</b>	-0.5%	2.9%
<b>Excess return</b>	-0.4%	18.0%
Due to Russia specific factors*	-0.6%	8.3%
Due to difference in sector structure*	0.3%	9.7%
<b>MSCI EM HDY index TR in USD**</b>	-0.4%	9.5%
<b>Key commodities***</b>		
Oil	0.7%	42.3%
Gold	-1.6%	-4.9%
<b>FX</b>		
RUB/USD	-0.6%	1.1%
RUB/EUR	0.0%	4.5%

\* 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 35%; gold producers' weight in the index is 8% (as at the end of August 2021)

Data as of 10 September 2021

TKB Investment Partners (JSC) calculations; Bloomberg

	Current
<b>Upside/downside to fair price</b>	9%

Data as of 10 September 2021  
TKB Investment Partners (JSC) calculations

CBR aims to put brakes on inflation with fifth consecutive key rate hike

### Russian equity market dynamics

**Last week, the Russian equity market underperformed the broader emerging markets by 0.4%.** This was mainly due to Russia-specific factors, although there was no specific news that could help us identify which particular Russia specific factors were mainly responsible for the underperformance.

## Main Russian news

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**Russian inflation accelerated in August.** The consumer price index (CPI) rose to 6.68% YoY after 6.46% YoY at the end of July. Food inflation rose to 7.7% YoY from 7.4% YoY in July, while non-food inflation increased to 8.0% YoY from 7.6% YoY the preceding month. Services inflation was almost flat at 3.8% YoY level. The Central Bank of Russia (CBR) forecasts inflation for 2021 to be between 5.7% and 6.2%. The Ministry of Economic Development expects inflation to be around 5% YoY at the end of the year.

**The CBR raised its key rate by 25bp to 6.75%.** This was the fifth consecutive hike aimed at taming inflation. The Bank said that Russia's economy has already regained its pre-pandemic level and is progressing towards balanced growth. The regulator expects inflation to slow as soon as in the fourth quarter of 2021. In 2022, the Bank forecasts an inflation range of 4%-4.5%. At the same time, the CBR governor, Elvira Nabiullina, suggested that, depending on the inflation rate, the key rate may exceed 7% but that it would remain below 10%. The next CBR monetary policy meeting will be held on 22 October.

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### To watch...

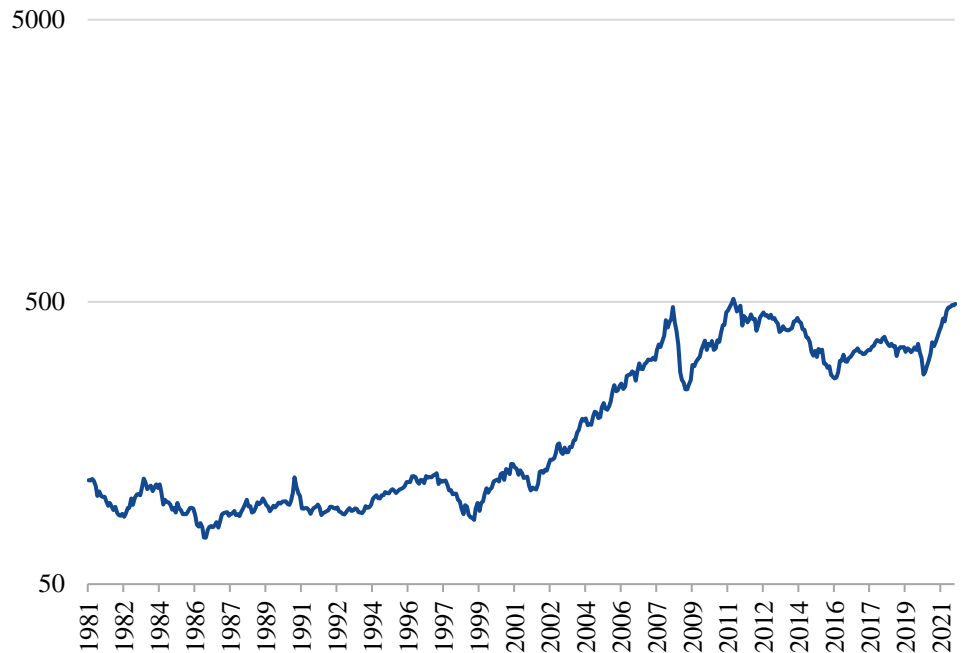
Russia's Duma elections are being held later this week

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

## Possible long-term growth in commodity prices

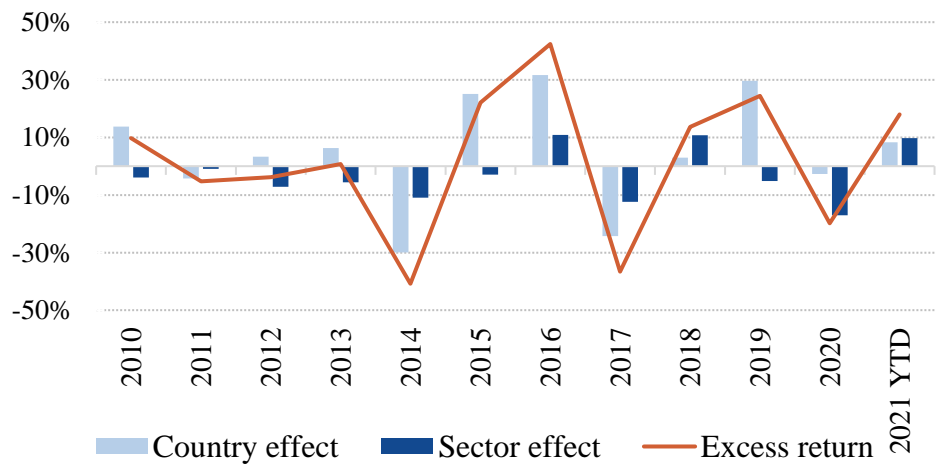
Bloomberg commodity spot index (in USD; index points; log scale)



Source: Bloomberg, TKB Investment Partners, September 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 the MSCI EM Energy and weighed it at 35%, MSCI EM Materials – 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 10 September 2021

## For more information:

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