

Russian Equities Weekly

September 27 – October 1, 2021

	Week	YTD
MSCI Russia 10/40 TR in USD	0.9%	23.0%
MSCI EM index TR in USD	-1.4%	-1.8%
Excess return	2.3%	24.8%
Due to Russia specific factors*	0.1%	11.1%
Due to difference in sector structure*	2.2%	13.6%
MSCI EM HDY index TR in USD**	-0.6%	6.1%
Key commodities***		
Oil	2.4%	55.5%
Gold	0.6%	-6.9%
FX		
RUB/USD	0.3%	1.9%
RUB/EUR	1.7%	7.2%

* See details of methodology at the end of the report

**MSCI Emerging Markets High Dividend Yield Index

*** We use Brent Oil and LBMA Gold, 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 1 October 2021

TKB Investment Partners (JSC) calculations; Bloomberg

	Current
Upside/downside to fair price	10%

Data as of 1 October 2021

TKB Investment Partners (JSC) calculations

Riding on the energy wave

Russian equity market dynamics

Last week, the Russian equity market outperformed the broader emerging markets by 2.3%. This was mostly due to the difference in the two indices' sector structures. The Russian market was mainly supported by its overweight in the energy sector, which rose by 2.8% in the EM index. Additionally, the absence of the IT sector in the Russian index contributed positively to the relative excess return, as the sector fell by 5% in the EM index.

Main Russian news

Russia's key macroeconomic indicators were mixed in August. Industrial production increased on an annualised basis in both the manufacturing and extraction segments but at a lower rate than in July. Retail sales strengthened both relative to the previous month and on an annualised basis, mainly thanks to an acceleration in food purchases. Rosstat published real wage growth data for July which showed an increase of 2.2% YoY.

Key macroeconomic indicators, YoY dynamics

	July 2021	August 2021
Industrial production	7.2%*	4.7%
Manufacturing	3.7%*	3.1%
Extraction	12.0%*	6.4%
Retail sales	5.1%*	5.3%
Food	1.7%*	2.8%
Non-food	8.3%*	7.5%
Real wages	2.2%	Not available

*Data updated by Rosstat

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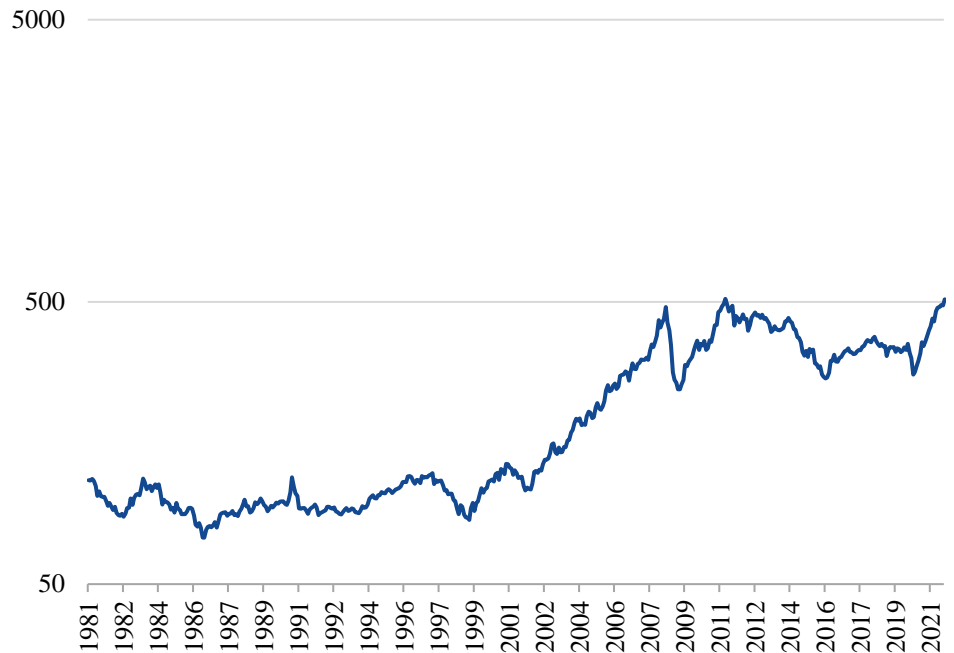
To watch...

Rosstat is due to publish inflation figures for September 2021.

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

Possible long-term growth in commodity prices

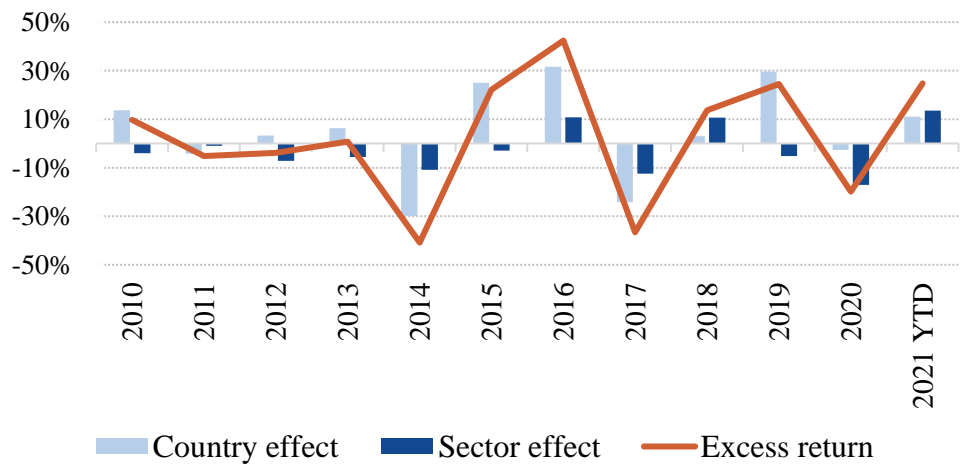
Bloomberg commodity spot index (in USD; index points; log scale)



Source: Bloomberg, TKB Investment Partners, October 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 1 October 2021

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