

# Russian Equities Weekly

## November 15 – 19, 2021

	Week	YTD
<b>MSCI Russia 10/40 TR in USD</b>	-3.7%	22.4%
<b>MSCI EM index TR in USD</b>	-1.3%	0.1%
<b>Excess return</b>	-2.4%	22.2%
Due to Russia-specific factors*	-1.2%	12.7%
Due to difference in sector structure*	-1.2%	9.6%
<b>MSCI EM HDY index TR in USD**</b>	-0.7%	6.7%
<b>Key commodities***</b>		
Oil	-4.0%	54.9%
Gold	0.0%	-1.4%
<b>FX</b>		
RUB/USD	-0.9%	0.7%
RUB/EUR	0.8%	9.0%

\* 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 38%; gold producers' weight in the index is 9% (as at the end of October 2021)

Data as of 19 November 2021

TKB Investment Partners (JSC) calculations; Bloomberg

	Current
<b>Upside/downside to fair price</b>	12%

Data as of 19 November 2021

TKB Investment Partners (JSC) calculations

Pressured by geopolitical concerns and lower oil prices

### Russian equity market dynamics

**Last week, the Russian equity market underperformed the broader emerging markets (EM) index by 2.4%.** This was due to both a Russia-specific factor and the different sectoral structures of the two indices.

- **Russia-specific factor:** Political tensions over military movements on the Russian-Ukrainian border continue to concern investors and put pressure on the Russian equity market
- **Sector-specific factor:** An additional negative effect came from Russia's overweight in the energy sector as oil prices declined.

## Main Russian news

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**According to a preliminary report from Rosstat, Russian GDP in the third quarter grew by 4.3% YoY.** This is the highest figure for the period since 2011. Russia's President Vladimir Putin said that the country's GDP could grow by 4.7% by the end of 2021. Should that happen, the annual rate would be a record high since 2008. The Ministry of Economic Development expects the economy to grow by 4.2% in 2021, while the Central Bank of Russia estimates that growth will be 4%-4.5%.

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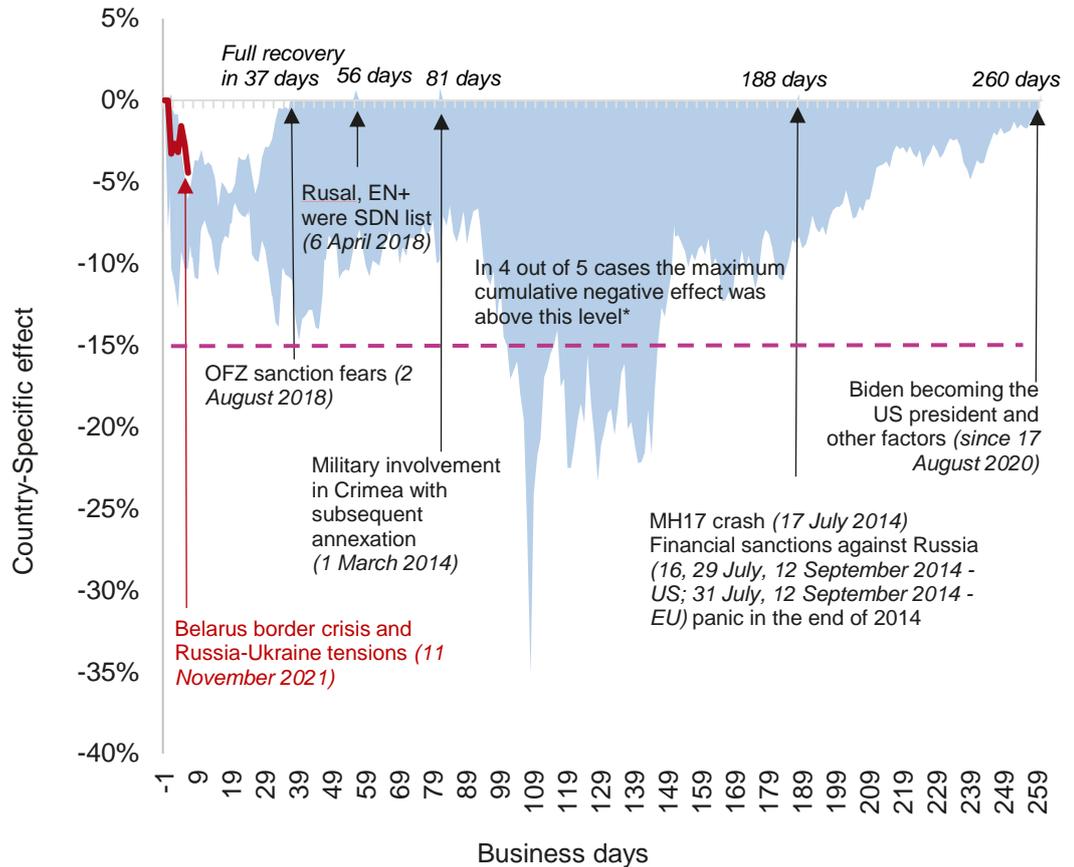
## To watch...

Rosstat is due to publish industrial production figures for October.

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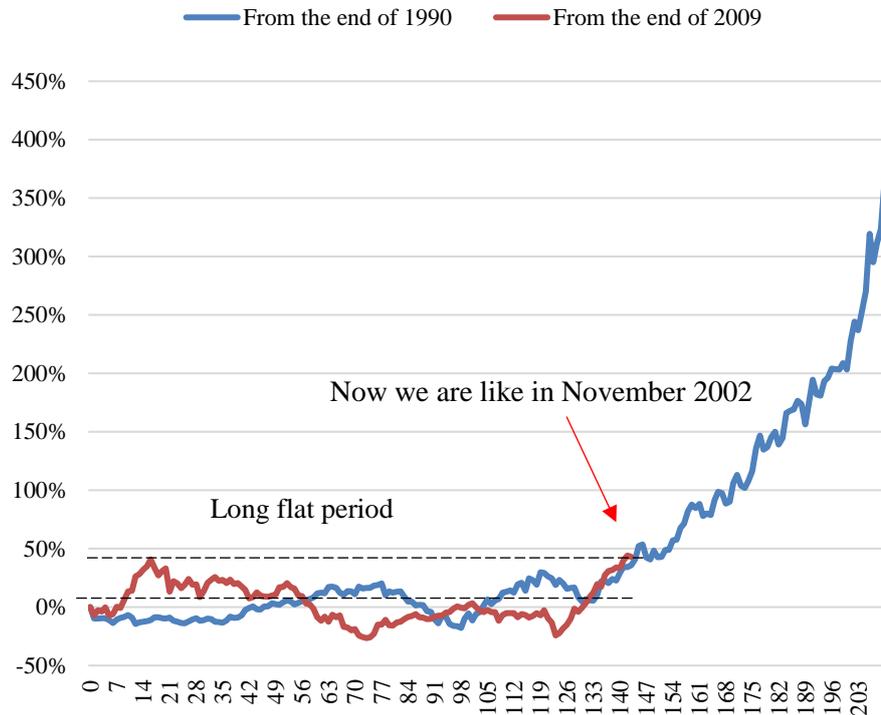
Sources: Vedomosti, Bloomberg, TKB Investment Partners (JSC); November 2021

**Cumulative Russia-specific effect on excess return of Russia vs EM after sanction risk-related events (range of negative effects for a day since a particular sanction-related topic started to develop)**



\* the cumulative negative effect was below minus 15% only in the end of 2014- beginning of 2015 when a chain of events related to annexation of Crimea effected the market coupled with the strong drop of oil prices  
 Note: To calculate the country-specific effect, we constructed an index from the EM sector indices with the structure of the MSCI Russia 10/40 index. For example, we took the MSCI EM Energy index and weighed it at 35%, the MSCI EM Materials index at 35%, etc. Therefore, the excess return due to Russia-specific factors equals the MSCI Russia 10/40 minus the constructed index. 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; Data as at 19 November 2021

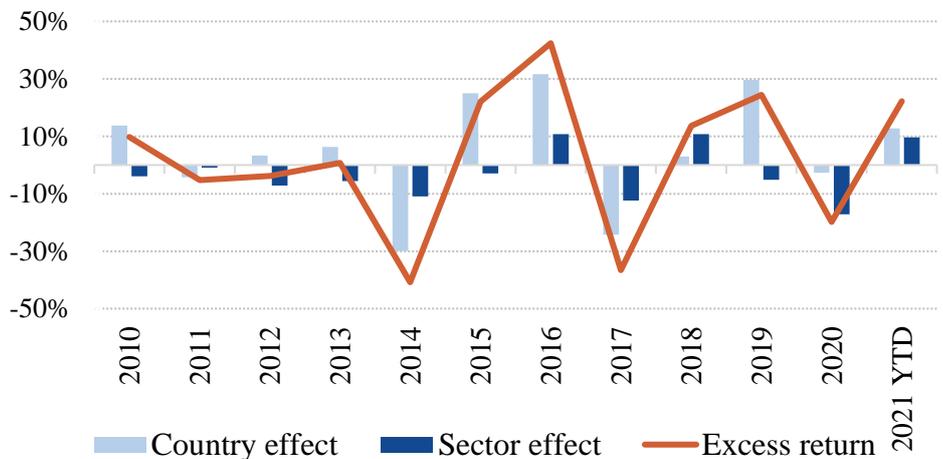
### Possible long-term growth in commodity prices Bloomberg commodity spot index (in USD)



Source: Bloomberg, TKB Investment Partners, November 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 19 November 2021

## For more information:

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