

Russian Equities Weekly

November 1 – 5, 2021

	Week	YTD
MSCI Russia 10/40 TR in USD	0.4%	30.1%
MSCI EM index TR in USD	0.0%	-0.3%
Excess return	0.4%	30.4%
Due to Russia-specific factors*	1.2%	19.0%
Due to difference in sector structure*	-0.8%	11.4%
MSCI EM HDY index TR in USD**	-0.6%	5.1%
Key commodities***		
Oil	-1.7%	61.2%
Gold	1.8%	-4.5%
FX		
RUB/USD	-0.6%	3.9%
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 5 November 2021

TKB Investment Partners (JSC) calculations; Bloomberg

	Current
Upside/downside to fair price	8%

Data as of 5 November 2021

TKB Investment Partners (JSC) calculations

Inflation jumps to 8.1%

Russian equity market dynamics

Last week, the Russian equity market outperformed the broader emerging markets (EM) index by 0.4%. There was no specific news that could help us identify which particular Russia-specific factors were mainly responsible for the market's outperformance.

Main Russian news

Russian inflation accelerated in October. The consumer price index (CPI) rose to 8.1% YoY from 7.4% YoY at the end of September. Food inflation rose to 10.9% YoY from 9.2% YoY in September, while non-food inflation increased to 8.2% YoY from 8.1% YoY the preceding month. Services inflation rose to 4.4% YoY from 4.2% YoY.

The number of retail investors on the Moscow Exchange has reached 15.3 million. More than 728 000 people joined the Moscow Exchange in October. Net inflows from individual Russian investors into the Russian equity market totalled approximately USD 1.1 billion during the month, breaking out of the steady monthly USD 0.3-0.4 billion range seen for most of the year. **Over the last 10 months, net inflows have totalled circa USD 5 billion.**

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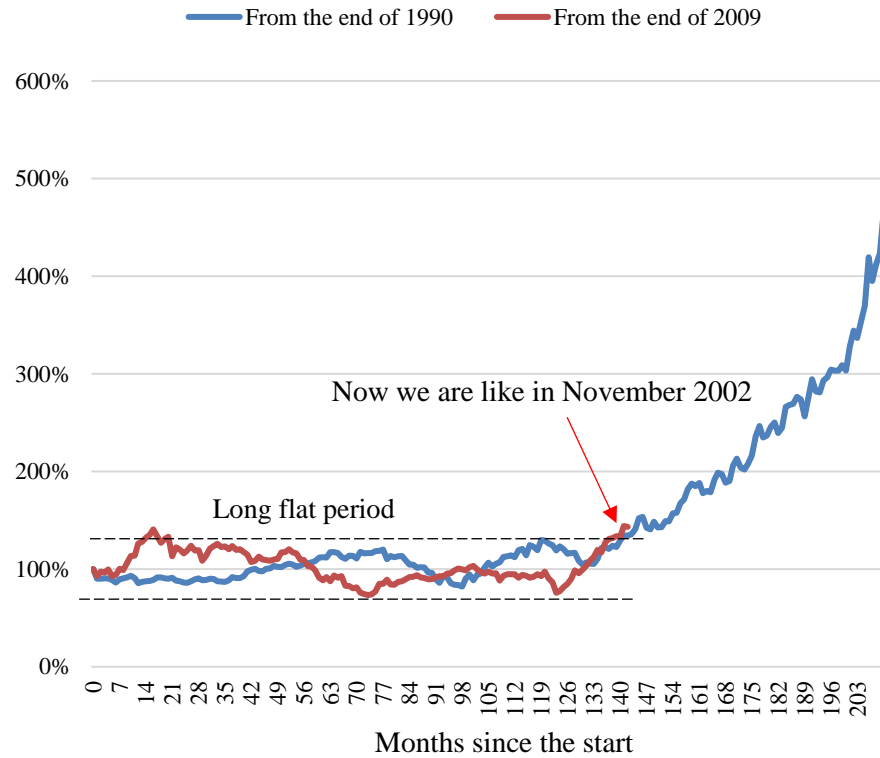
To watch...

Rosstat is due to publish preliminary figures for Q3 2021 GDP growth.

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

Possible long-term growth in commodity prices

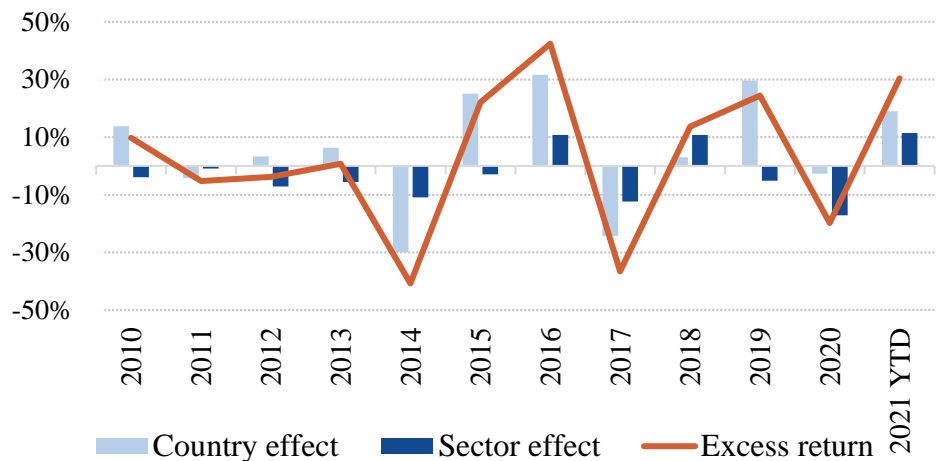
Bloomberg commodity spot index (in USD)



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 5 November 2021

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