In August 2013, the MICEX index saw a monthly fall of 2.4% after Sberbank and VTB encountered some downtrend in the stock market. Furthermore, stock market capitalization contracted by 2.2% to Rb 23.41 trillion, or 37.4% of GDP.

The domestic corporate bond market was governed by fairly optimistic sentiments, irrespective of adverse trend concerning macroeconomic indicators and forecasts for Russia. The key market indicators were driven by an uptrend, contrary to expectations of a seasonal downtrend.

Dynamics of Russian stock market basic structural indices

No any significant growth in the MICEX index was triggered by a 2.7% increase (up to $110.31 per barrel) in the average price of Brent crude oil in August 2013 as compared to July 2013: the index moved around 1383 points and reached monthly highest (1423.9 points) on August 14, 2013 (Fig. 1). Neither did a growth of $114–116 per barrel in crude oil prices during the last week in August 2013 have any significant impact on the Russian stock market: the MICEX index showed 1364,6 points, or -2.4% against the beginning of the month, as of August 31, 2013.

Major blue chips saw a downtrend at the beginning of August 2013: Norilsk Nikel stocks saw the deepest fall by August 8, 2013, 8.57% against the beginning of the month. Other stocks dropped on the same day by an average of 3.47% against the beginning of the month. However, by August 14, 2013 prices of blue chips saw a correction up to a gain by an average of 0.8% against the beginning of the month, while Gazprom stocks saw a growth of 3.31% against the price as of August 1, 2013. However, state banks’ stocks fell in the second half of August 2013: by August 30, 2013 Sberbank common stocks fell 8.89% against the beginning of the month, while VTB stocks dropped 5.22% during the same period (Fig. 2).

Positive dynamics of Gazprom stocks in August 2013 had no significant effect on their annual yield: the stocks showed a 15% annual loss on August 30, 2012. Norilsk Nikel and VTB stocks were among loss-makers too: their annual fall was 10.5% and 16.4% respectively. In contrast, Rosneft stocks showed a yield of...
25.3% p.a., the highest among blue chips in the period beginning with August 30, 2012.

One of the most notable changes in sectoral indices in the period of August 1, 2013 thru September 2, 2013 was growth in the machine building sectoral index by 7.43% against the beginning of the month, according to the data available as of August 16, 2013. The index was pushed up by AVTOVAZ and KAMAZ stocks which increased by 15.74% and 45.75% respectively since beginning of the month. The stocks went up in response to a news that both enterprises were going to resume their production after a seasonal suspension in summer. Other sectors were facing a downtrend, and their indices dropped by an average of -2.31% by the end of August 2013. It was the MICEX Innovation Index (MICEX INNOV) that was facing the deepest fall (-11.87%) since the beginning of the month in response to a fall in NAUKA JSC stocks from Rb 232.43 as of August 1, 2013 to Rb 119 as of August 29, 2013. The electric power industry index fell 6.79% against August 30 since the beginning of August basically after E.ON Russia, FGC UES (Federal Grid Company of Unified Energy System), and RusHydro dropped 8.16%, 8.06%, and 7.47% respectively during the same period.

According to the Emerging Portfolio Fund Research (EPFR), a capital inflow of $336m, or around Rb 11,09bn, to funds oriented toward the Russian market was registered in the period of August 1 thru August 28, 2013. According to the EPFR, capital outflow from such funds totaled $24m in July 2013. The Russian stock market (MICEX) capitalization totaled Rb 23,41 trillion (37.4% of GDP) as of August 30, 2013, having decreased by Rb 512bn (2.18%) against August 1, 2013. Furthermore, capitalization structure changed in response to different trends in industrial sector indices. In particular, the share of companies operating in the mineral extraction sector increased by 1.63% from the beginning of the month to 49.9% as of August 30, 2013. Moreover, the share of companies operating in the manufacturing sector increased by 0.46% during the same period. The growth in the share of extracting and manufacturing companies was gained basically as a result of a decline in the share of transport companies and financial companies from 9.5% to 8.5% and from 14.9 to 14.1% respectively in the period of August 1, 2013 thru August 30, 2013.

**Corporate bond market**

The domestic corporate bond market (measured by the par value of outstanding securities denominated in the national currency) kept growing in August 2013. By the end of August, this indicator reached Rb 4.701.3bn, hav-
ing exceeded 1.7% the value registered late in July. The market capacity grew up both with increase in the quantity of bond issues (1000 corporate bond issues registered in the national currency against 983 issues by the end of July) and growth in the number of issuers in the debt segment (353 issuers against 348 companies in July 2013). In addition, there are outstanding 12 USD-denominated bond issues and a JPY-denominated bond issue of Russian issuers.

Investment activity in the secondary corporate bond market remained unchanged in August 2013 as compared to July 2013, having shown the average level during the last few months. For instance, trading volume of transactions in the Moscow stock exchange totaled Rb 116.1bn in the period between July 22 thru August 21, 2013 (to compare, trading volume amounted to Rb 115.5bn in the period between June 25 thru July 19, 2013), and the quantity of transactions increased significantly to almost 27,000 over the period under review (against 23,800 in the previous period), which is indicative of upsurge in interest on the side of relatively small investors.

The Russia corporate bond market index (IFX-Cbonds) started to grow after a short decline. Its value increased by 2.8 points (or 0.8%) by the end of August 2013 against the preceding month. The corporate bond average weighted yield also saw a positive trend, having dropped from 8.20% late in July to 8.15% by the end of August (Fig. 6).

Corporate bond portfolio duration kept decreasing. The duration was 711 days as of August end, being 29 days less than the value as of the previous month end. Gradual reduction in the duration value reflects reduction in duration of outstanding corporate bonds due to a insignificant decline in market interest rates.

Most liquid segment of the corporate bond market saw different trends with regard to bond issues’ yield. Absolut Bank (OJSC), Magnitogorsk Iron and Steel Works OJSC and AK BARS BANK saw most strongly pronounced downtrend in the bond yield (within a range of 0.7 to 0.9 p.p.), whereas RUSAL Bratsk OJSC, NOMOS BANK (OJSC) and Russian Agricultural Bank OJSC showed a significant growth in their bond yield (more than 1 p.p.). Production and energy companies saw a pronounced downtrend at an average of 0.1 to 0.2 p.p.in their bond yield, though in August 2013 investment activity in the energy segment was as low as it was in July 2013.

Activity of Russian bonds issuers in terms of bond issue registration remained at a high level, although it failed to beat the records hit during the recent months. For instance, 19 issuers registered 69 bond issues at an aggregate par value of Rb 279.5bn in the period of July 22 thru August 21 (to compare, 55 bond issues at a total of Rb 466.2bn were registered in the period of June 25 thru July 19, 2013). About a third of the registered bond issues were listed bonds.

In spite of a moderately negative background, investment activity increased in the market as compared to the previous period, having regained the June level. For instance, 22 issuers placed 25 bond issues at an aggregate par value of Rb 154.65bn in the period of July 22 thru August 21 (to compare, 24 bond issues were placed at Rb 96.6bn in the period between June 25 thru July 19, 20136) (Fig. 7). More than a half of the registered bond issues were listed bonds. In addition, a few debut bond issues were placed. Moreover, FGC UES OJSC managed to obtain financing for a period of 35 years, and a few other issuers managed to obtain financing for a period of 10 to 15 years.

Like in previous month, in August 2013, as little as one debut bond issue was declared void by the Federal Commission for Securities Market of Russia (FCSM) for

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1 According to Rusbonds information agency.
2 According to Finam Information Company.
3 According to Cbonds Information Agency.
4 According to Finam Information Company.
non-placement of a single bond. It is quite a positive signal indicative of the demand for corporate debt securities.

Sixteen issuers were to redeem their debt at an aggregate par value of Rb 59.9bn in the period of July 20 thru August 21, 2013. However, one of the issues failed to redeem his debt on the date of maturity (three issuers declared a technical default in the preceding period), which is always regarded as adverse event in the market. Twenty corporate bond issues at a total of Rb 53.8bn are expected to take place in September 2013.

In general, the situation with issuers’ obligations to bondholders still remains stable. One issuer declared a real default (i.e. the issuer was unable to pay to bondholders even shortly after a regular scheduled due date, the so-called grace period) in coupon yield payment in the period of July 20 thru August 21, 2013. Unlike the previous months, no real defaults took place in the redemption of par value of bond issues and early redemption of securities on put date.

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2. According to Rusbonds company.
3. According to Rusbonds company.