Oil prices increase in the beginning of October 2013 was followed by a 4.2% growth in the MICEX index in the first half of the month. As of October 28, 2013, the MICEX index increased 2.7% since the start of the month and reached 1511 points. OJSC Norilsk Nickel’s stocks showed maximum growth among blue chips, having increased by 7.09% over the 28 days in October 2013. The MICEX stock market capitalization reached Rb 25,38 trillion (39.12% of GDP) by October 28, 2013. The domestic corporate bond market saw positive trends in October 2013. The key market indicators were driven by an uptrend: market volume, corporate bond market index, weighted average yield, issuers’ activity.

Dynamics of Russian stock market basic structural indices

A growth of 3.58% (up to $111.8 per barrel) in prices of Brent crude oil in the first decade of October 2013 determined a growth of 4.2% in the MICEX index in the period of October 1, 2013 thru October 21, 2013. It was Gazprom stocks that pushed up the index at that period. Crude oil price correction up to $109.9 per barrel by October 22, 2013 had no effect on the MICEX index, because Gazprom stocks decline was compensated by growth in Sberbank stocks. A drastic fall of crude oil prices by $2.17 per barrel (-1.97% during the day) on October 23, 2013 triggered a fall of 1.4% of the MICEX index during the day.

Gazprom and Sberbank stocks became principal growth drivers for the MICEX index in September 2013. Gazprom stocks increased significantly in the first half of the month. Growth rates of these stocks reached 8.35% since the beginning of the month to October 16, 2013 and were followed by downward correction which allowed Gazprom stocks to gain as little as 3.17% in the period of October 1, 2013 thru October 28, 2013. Sberbank preferred stocks also gained 8.35% since the beginning of the month. Norilsk Nickel stocks were leading in growth by the end of the month and gained 7.09% in the period of October 1, 2013 thru October 28, 2013. VTB and Rosneft stocks saw a downtrend during the month, with the latter having lost 3.67% of its early-in-the-month value by the end of October.

Positive trends for blue chips resulted in 6.76% p.a. of annual yield of Norilsk Nickel (in the period of October 29, 2012 thru October 28, 2013). Sberbank stocks also demonstrated substantial yield at a level of 12.2% and 23.0% for common stocks and preferred stocks respectively. Growth in the value of Gazprom stocks during the month failed to change negative annual results (less than 0.34%). However, it was VTB whose stocks saw most negative calendar year and a 22% drop in value.
The consumer sectoral index, which increased by 3.44% by September October 28, 2013 since the beginning of the month, was leading in growth among sectoral indices. The consumer sectoral index’s uptrend was driven basically by Magnit, Gruppa Cherkizovo, Farmstandard and stocks, as well as M.Video Company. It was only energy companies’ stocks that saw a downtrend in October 2013, mainly in response to a fall in InterRao and Russian Grids stocks, and the MICEX-innovation index which was affected by a drop in prices of NPO NAUKA stocks.

According to the Emerging Portfolio Fund Research (EPFR), Russian market-oriented foundations saw a capital inflow of $62m in the period of October 1, 2013 thru October 23, 2013. Russia’s stock market (MICEX) capitalization totaled 25,38 trillion (39.12% of GDP) as of October 28, 2013, having shown an increase of Rb 444bn (1.7%) against the value observed on October 1, 2013. The mineral extraction sector accounted for less than 50% of total capitalization during the month. The share of companies operating in retail sales, transport and communications sectors, as well as manufacturing sector, increased up to 9%, 8.8%, and 12.3% respectively since the beginning of the month.

Corporate bond market

The domestic corporate bond market in Russia (measured by the par value of outstanding securities denominated in the national currency, including those issued by non-residents) saw a considerable growth in October 2013. By the end of October 2013 the value reached Rb 4945.6bn, having shown an increase of 3.5% against the value observed by the end of September 20131. The increase in market capacity was determined exclusively by increase in the number of bond issues (1022 corporate bond issues registered in the national currency against 1002 issues at the previous month end), whereas the number of bond issuers remained unchanged (346 issuers). In addition, there are outstanding 12 USD-denominated bond issues of Russian issuers (a total of more than $1.8bn), and a JPY-denominated bond issue.

Investment activity in the corporate bond secondary market increased significantly in October 2013 after a long-lasting period of stabilization. For instance, in the period of September 24, 2013 thru October 23, 2013, total volume of market transactions in the Moscow Stock Market amounted to Rb 184.9bn (to compare, the corresponding volume amounted to Rb 152.3bn in the period of August 22, 2013 thru September 23, 2013), and the number of transactions increased up to 28,700 and amounted to 27,400 (against 27,000 in the previous period) in the period under review)2. It should be noted that higher investment activity in the market is generally typical of Q4 2013.

The Russia corporate bond market index (IFX-Cbonds) kept growing. Its value increased by 2.7 points (or 0.7%) by the end of October 2013 as compared to the value observed at the previous month end. The corporate bond average weighted yield also saw a positive trend, having dropped from 8.07% late in September 2013 to 8.02% by the end of October 2013 (Fig. 6), having shown its minimum over the past two years3.

In spite of the current challenges faced by the Russian economy and the world economy, the current environment in the corporate bond market is fairly conducive. Investors’ activity in the corporate segment has not yet been affected by the recent mid-term forecasts with regard to a relatively slow growth in the Russian economy and capital outflow (in particular, the World Bank’s and S&P’s estimates show that structural con-

1 According to Rusbonds information agency.
2 According to Finam Information Company.
3 According to Cbonds Information Agency.
The corporate bond market remained unchanged. The duration was 691 days as of the end of September 2013, being 26 days beyond the value observed as of the previous month end. Relative stabilization of the duration value against insignificant decline of interest rates in the market is indicative of invariance of maturity of flow of payments on bonds and, therefore, maturity of outstanding bond issues in the corporate segment.

The most liquid segment of the corporate bond market kept being exposed to different trends with regard to the yield, although dynamics of interest rates saw low volatility. Like in the previous month, it was only financial corporate issuers that experienced most significant changes in the yield (between 0.5 p.p. and 0.6 p.p.), some towards contraction, like OJSC ALFA-BANK (series 01) and OJSC ZENIT Bank (series BO-04), others towards growth, like OJSC Russian Agricultural Bank (series 05) and OJSC Bank Petrocommerce (series 05). The yield of high-tech companies’ most liquid issues contracted too (by an average of 0.1 p.p.).

The positive market trend which has been persisting over the last few months, prevents the activity of Russia’s issuers in terms of bond issue registration at a fairly high level, although new issue registration values declined against September 2013. For instance, 14 issuers placed 38 bonds at an aggregate par value of Rb 123,3bn in the period of September 24, 2013 thru October 23, 2013 (to compare, 36 bond issues at Rb 341,3bn were placed within a period of August 22, 2013 thru September 23, 2013). Major issues were registered by OJSC UralSib Bank (5 series of listed bonds at a total of Rb 21bn), OJSC TMK (3 series of listed bonds at a total of Rb 20bn), OJSC Tyumenenergo (4 series of listed bonds at a total of Rb 20bn) and LLC RESO-Leasing (5 series of listed bonds at a total of Rb 14bn). Listed bonds accounted for more than two thirds of the registered issues.

Unlike bond issue registration values, investment activity in the primary market increased considerably in October 2013 against the previous year. For instance, 34 issuers placed 40 bonds at an aggregate par value of Rb 248,3bn in the period of September 24, 2013 thru October 23, 2013, having reached the highest value over the last four years (to compare, 23 series of bonds at Rb 113,8bn were placed within a period of August 22, 2013 thru September 23, 2013) (Fig. 7). Major bond issues were placed by Bank of Development and Foreign Economic Affairs (at a total of Rb 30bn), OJSC Russian Railways (Rb 25bn), OJSC VTB Bank (Rb 20bn) OJSC Gazprombank (Rb 14,9bn), OJSC Federal Grid Company UES (Rb 20bn). Such companies as Federal Grid Company UES and Russian Railways managed to borrow for a period of 35 and 20 years respectively, and a few other issues for 10 years.

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1 According to Cbonds Information Agency.
2 According to Cbonds Information Agency.
3 According to Finam Investment Company.
4 According to Rusbonds information agency.
5 According to Rusbonds information agency.
In October 2013, the Bank of Russia Financial Markets Service declared void 11 bond issues for non-placement of a single bond (as compared to 15 series in the preceding period)\(^1\). However, nine issues of a single major issuer (TransFin-M) were declared void, in which case the reason for that were changes in the company’s fundraising plans, rather than lack of the demand for these securities.

Fifteen bond issuers were to redeem their debt at an aggregate par value of Rb 70,5bn in the period of September 24, 2013 thru October 23, 2013. However, one issuer failed to redeem its debt on the date of maturity (two issuers declared a technical default in the preceding period). Seventeen issues of corporate bonds at a total of Rb 60,4bn are to be redeemed in November 2013\(^2\).

Nevertheless, the situation with the issuers’ compliance with their obligations to bond holders improved in general in October 2013. No real defaults\(^3\) on coupon yield payment were declared in the market in the period of September 24, 2013 thru October 23, 2013 (two issuers declared real default on coupon yield payment in the corresponding period of the previous year). Likewise, no real defaults in repayment of the par value of bond issues and early redemption of securities on put date were reported\(^4\).

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1 According to the Bank of Russia Financial Markets Service.
2 According to Rusbonds company.
3 It means that the issuer was unable to pay to bondholders even during the grace period.
4 According to Rusbonds company.