The Russian stock market in February was characterized by a minor correction in prices of majority of securities traded in the market, after growth in the previous two months. Oil futures have declined on average by 2.2%. Dollar exchange rate remained at the level below Rb/Dollar 30.35, while Euro decreased by 1.5%. “Blue chips” have lost 3% of their value. IPO in the Moscow stock exchange has occurred against the general negative dynamics, which led to a decrease in stock quotations from the start of trading values by 5.8%. Positive trend was demonstrated by the key market indicators of corporate bonds: the market volume and index, the average yield, the activity of investors in the primary and secondary market segments.

**Russian stock market basic structural indices of the dynamics**

In February the average price of Brent oil futures reached $103.5 per bbl, but at the end of the month it has declined to $101.2 per bbl. Herewith, the dollar was fluctuating at the level of Rb/USD 30.11, and only at the end of the month it has grown to Rb30.33. The European currency has declined within February 1.5% against the ruble.

In general, the Russian stock market was affected by the negative expectations of the dynamics in the basic macroeconomic indicators of the USA and the Eurozone countries. As a result, a fairly steady decrease in quotations was observed in February. Thus, from February 1 to 25, the MICEX index has decreased by 2.82%, what can be regarded as a correction after the growth in the previous two months, what is confirmed by the same reducing dynamics in “blue chips” price.

Investments in shares of the most popular at the beginning of the month securities could result in 3.09% losses on average. Herewith, the greatest losses could suffer investments in Norilsk nickel securities – investing of Rb 1 at the beginning of the month on February 25 could result in 93 kopecks of loss. For the long-term investors the yields of securities were variable, and this dynamics is independent on the industry: over the year the shares of Gazprom have lost 28.8% of value, while shares of LUKOIL and Rosneft, by contrast, have grown by 6.2 and 11.2%, respectively.
VTB quotations have lost more than 20%, despite the growth of Sberbank securities (Fig. 2).

Most sectoral indices in February were also demonstrating reduction trend. Herewith the index of consumer sector companies by the middle of the month has reached the growth of 5.5%, but then the decrease in the shares of this sector has resulted in the growth only by 3% per month.

The “leaders” of decline were the stocks of the energy sector (-5.7% since the beginning of the month). It should be noted that in December 2012–January 2013 the index of companies in the energy sector increased by 3.6%, and growth dynamics was similar to the dynamics of the consumer industry and the banking sector, which index has also declined in February by 1.74%. In late February the stock index of engineering industry companies, which was at a sustainable level over the month, has grown.

Overall negative dynamics has not affected the basic index of company capitalization, which maximum growth has reached 1.8%, what allowed to keep up the growth of 0.8% at the end of the month. For the companies with high and standard capitalization the decline made 3 and 3.3%, respectively.

The only public offering in February 2013 was MICEX IPO. Amount of funds raised totaled to Rb 14.9bn. However, with the opening of trading in securities, quotations decreased from Rb 58.15 to Rb 54.7, or by -5.8%.

In terms of economic activities, the share of the financial companies’ placements at the Moscow stock exchange increased to 14%, having leveled the capitalization of financial sector and manufacturing industry. Capitalization growth of financial sector, coupled with the overall dynamics of mineral mining companies quotations resulted in the decrease of the mining industry share in the structure of the stock market capitalization. However, this change is unstable because of its rather speculative nature.
Corporate bonds market

The volume of domestic corporate bond market in Russia (at par value of the securities in circulation, denominated in national currency) in February continued high growth rate and reached Rb 4241.5bn, which is by 2.3% more than its value at the end of January this year (in H2 of 2012 monthly growth averaged to 1.5%)\(^1\). The growth of market capacity is again mainly based on an increased number of bond issues (914 corporate bonds registered in national currency against 894 emissions at the end of the preceding month), while the number of emitters recorded in the debt segment remains virtually unchanged for several months (338 issuers against 337 companies in January this year). There are bonds of several foreign companies among the issues placed in the Russian currency in circulation: the International Finance Corporation, the European Bank for Reconstruction and Development, the Uranium One Inc. In circulation there remain a number of bonds emissions issued in US dollars and one bonds issue in Japanese yen.

Investment activity in the secondary market for corporate bonds remained at a high level in February. Thus, from January 24 to February 22 this year, the total volume of transactions at the Moscow Stock Exchange totaled to Rb 147.4bn (as compared with the period from December 24, 2012 to January 23, 2013, when the turnover was Rb 146.5bn), and the number of transactions for the period rose to the record level in recent months – 30,000 (26.5m in the preceding period)\(^2\).

Index of the Russian corporate bond market IFX-Cbonds continued a stable growth. By the end of February this year, its value increased by 2.8 points (or 0.8%) as compared with the value at the end of the previous month. The weighted average yield of corporate bonds continued to decline, from 8.29% at the end of January to 8.14% (Fig. 6)\(^3\).

Favorable situation in the debt market is the result of positive forecast earlier in the year, while the situation in February, will hardly promote further positive dynamics. Among favorable news can only note the sustained high credit ratings of the largest issuers and a renewed interest of foreign investors in Russian securities. At the same time in this month there was an acceleration of inflation and revision of its value in annual terms. In the second month of the year a negative external news background has been aggravated, in particular, the yield of sovereign bonds of peripheral European countries has been upgraded and the outlook of the Netherlands rating has been decreased. Herewith, namely in February, many large Russian issuers (“Novolipetsk Steel”, “Russian Railways”, “Gazprombank”) made successful placements of Eurobonds\(^4\).

Index of corporate bonds portfolio duration, as well as profitability, continued to decline. At the end of February duration made 552 days, which is 19 days less than the indicator of the end of January. With a decrease in the interest rates in the market the duration reduction reflects a decrease in duration of bonds circulation in the corporate segment.

The yield of the most liquid bond issues, despite its decline, was volatile. Growth of the yield on key issues in February typical to the bonds of production companies: “ALROSA”, “Gazprom”, “LUKOIL”, “Magnitogorsk Steel Works”, “Norilsk Nickel”, “Severstal”, and a number of high-tech companies. Decline in the yield

\(^1\) Rusbonds Information Agency data.
\(^2\) According to the “Finam” Investment Company.
\(^3\) Cbonds information.
\(^4\) Cbonds information.
was observed on the bonds of financial sector companies (average of 0.2-0.3 percentage points). The dynamics of the yield on energy companies bonds was volatile\(^1\).

Activity of issuers was rather high, but the indicators of the bonds placements were several times lower than at the beginning of this year. Thus, over the period from January 24 to February 22, only seven issuers registered 24 issues with the aggregate nominal value Rb 82.6bn (whereas in the period from December 22, 2012 to January 23, 2013 there were 99 issues of bonds at par value Rb 793bn). Major issues were placed by OAO AKB “Rosbank” (4 series of stock bonds worth Rb 35bn) and OAO “Russian Agricultural Bank” (4 series of bonds worth Rb 30bn)\(^2\). More than half of registered issues were stock bonds.

In February of the current year the activity of issuers in regard to the bond issues has substantially declined as compared with IPOs. Thus, from January 24 to February 22, 23 issuers have placed 35 bond issues totaling to Rb 215bn (compared with the period from December 22, 2012 to January 23, 2013 there were offered only 14 funded loans worth Rb 76.4bn) (Fig. 7). Stock bonds accounted for nearly half of all offered issues. Among the offered issues one should note two debut bond issues totaling Rb 10bn, offered by one of the largest agencies of development of Russia – OAO “State Transport Leasing Company” (the yield at placement was very high – 10.25%). In February only OAO “FGC UES” managed to increase funding for a sufficiently long term of 15 years. Probably, the number of long-term emissions will be significantly increased in future: proposals of OAO “Russian Railways” on investing the National Welfare Fund and the Pension Fund assets in infrastructure projects with payback periods of 15-20 years were generally supported by the government. It is assumed that the OAO “Russian Railways” will be granted benefits from these funds on these projects for the term of at least 20 years, and the OAO, in turn, will issue special non-marketable bonds with state guarantee – infrastructure bonds\(^3\).

Despite the strong IPOs performance indicators, in the period under review – from January 24 to February 22 – FFMS of Russia has recognized as invalid nine issues of bond issues due to the non-placement of any securities, followed by rejection of state registration in previous months, eight bond issues were recognized invalid), and canceled their registration (in the previous period was invalidated sixteen bond issues)\(^4\). In a period of high investors’ interest in bond issues such a large amount of invalidated issues is based on the changes of the issuers’ plans to raise funds from the loan market, as in this case the major market participants – “Gazprom Neft”, “GAS”, “Glavnaya Doroga” are involved. In the near future the situation with the recognition of issues as invalid can dramatically improve, once the new amendments to the legislation come into effect. While now the maximum term of equity securities is one year from the date of registration of the issue (if at least one security was not placed, the issue was invalidated), in future this term is expected to be extended to three years. For this purpose the issuer must extend the placement term by making changes in the decision on placement\(^5\).

From January 24 to February 22 this year all eleven issuers

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1 Finmarket Information Agency data.
2 Rusbonds information.
3 Cbonds information.
4 FFMS of Russia data.
5 “Prime” Information Agency data.
have paid off twelve issues of bonds totaling to Rb 56.0bn in due time. Like in the previous period, there were no announcements of technical default, which is a positive indicator to investors. In March 2013 eleven corporate bond issues are expected to be paid off for the total amount of Rb 53.0bn.

The situation with the announcement of actual default (when the issuer is unable to pay return to securities holders even in a few days after the due date of liabilities) has changed to the better. Thus, in the period from January 24 to February 22, 2013, all issuers have fulfilled their current liabilities and repaid the nominal value of bonds, and early redemption of the securities on offer were accomplished by all issuers in due time or at least within the framework of a technical default (in the previous period only one issuer has declared of failure to repay the coupon yield).}

1  Rusbonds information.
2  Cbonds information.