Introduction

• Largest country in the world
• Very difficult past
• Culture misunderstood in the West
The Central Bank of Russia 1990-1998

- Founded July 1990
- Monetary policy and issuing currency
- 1991-92 commercialization of banks
- Began setting and publishing official exchange rates
The Central Bank of Russia 1998-2007

• 1998 second major crisis
• Restructuring of banks, increased liquidity
• 2003 introduced IFRS
• Up to 2008, lowered interest rates and inflation
• Stable 25-30 RUB-USD exchange rate
The Central Bank of Russia 2008-2014

- Plan to improve banking sector’s international attractiveness
- Goal of ending natural resource bias, not met
- Crimean annexation = drastic policy changes
- Anti-Crisis plan put into action
  - Interest rates up to over 20%
  - 1 billion ruble increase in capital for banks
The Central Bank of Russia Currently

- Key rate at 10.5% as of July
- Oil prices will determine if a rate change occurs
- Tight monetary policy until goals are met
- Long-term inflation goal: 4%
  - Inflation 6.9% as of August 2016
- GDP growth expectation of 1.5% for 2017
Russia’s Financial Markets

- MICEX – January 1992
  - RUB denominated
- RTS – July 1995
  - USD denominated
- 2009 MICEX joined World Federation of Exchanges
- 2011 MICEX-RTS merger
- 2012 MOEX rebranding
Russia’s Financial Markets

• Some experts believe that markets are unstable
• Technology sector not in a solid, profitable place
• Economy still not diversified
MICEX

- MICEX 5\textsuperscript{th} best performing stock market worldwide in 2015
- 2016 has seen steady growth
- Ruble depreciation = bargain stocks
- Return through Sep. 2016 of 22.56\%
RTS

- Levels in September: 990 (compared to 2007 levels of 1600)
- 2016 has been strong so far
- Return through Sep. 2016: 29.54%
- Both MICEX and RTS beat S&P index
  - SPY return only 13.31% through September
SPY vs. MICEX vs. RTS

The chart shows the performance of INDEXC:IND, SPY:US, and another index over the months of November to September. The chart indicates that INDEXC:IND has increased by 22.66%, while SPY:US has increased by 13.31%.
Implications for America

- Sanctions = increase in Russians’ nationalism
- Leaders changing policies to work around sanctions
- Russia becoming more aggressive against NATO
- Anti-West powers taking advantage of the current climate
Russians’ Viewpoints: Maria’s Family

• Maria’s family were quite happy with their lives
• Felt that small businesses had not been affected
• Were hopeful for the future
Russians’ Viewpoints: Anna

- Entrepreneur from Moscow
- Sanctions are “political nonsense”
- Russians forced to work harder and together, increasing patriotism
- Many issues in Russia due to existing domestic policies
  - Mostly unrelated to sanctions
- People generally feel things are/will be improving
Russians’ Viewpoints: Alexander

- Government apparatchik from Tula
- Very optimistic about future Russian leaders
- Feels much of the problem comes from overarching bureaucracy
- Proud of his countrymen
- Believes Russia will prosper because of its incredible people and resources
Conclusion

- Russia is a key economic player in the world today
- Diversification is still needed for true potential
- Sanctions and U.S. policy has proven ineffective
- There is increased nationalism in Russia today
- Other options need to be explored
Thank you for all of your help!

THE END