



The World of Finance in Russia

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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 5th 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



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