

Who drives Russian Emerging Market?

筑波大学大学院 ジャロフ・ミゾ シアリ

筑波大学 宮 越 龍 義

Abstract

In general, the emerging market returns behave in a way, which seems to be driven by some stronger foreign factors such as US Dollar, UK Pound, Japanese Yen, and Euro. There are several studies on other emerging markets, but less on Russian market.

The purpose of this paper is to investigate who drives Russian emerging market returns by focusing on Russian Trade System index returns. This paper takes US Dollar, Deutsch Mark and Euro exchange rates against Russian Ruble, as the exchange rates of the main non-CIS (Commonwealth of Independent States) Russia's trade partners. This paper assumes that international investors are hedged against foreign exchange risk. Then, the parity for other foreign market returns is not affected by the foreign exchange rates. The foreign exchange rates will play the index of factors which influence the Russian companies and their stocks. Moreover, this paper considers that one of the features of emerging markets is news-full, which disturb the markets. Then, it is shown that the news plays a role of important independent variable driving the stock returns.

The Russian Trade System (hereinafter RTS), an electronic trading system, was established in September 1995 in order to combine regionally separated security markets most of which were established in early 1990s, into an organized securing industry. The establishment of RTS is full of stories, for more details see online homepage of the RTS. After establishing the RTS set up its own index called the Russian Trade System Index, which is calculated daily beginning from September 1, 1995. Historical movement of RTS index shows that dynamics of the index is influenced by various factors, for instance, government changes, price on oil and international monetary institutions. Especially after Russian crisis in 1998 RTS became popular among scholars and investments as an important indicator for entire Russian economy.

This paper is organized as follows. Section 2 briefly overviews Russian stock exchange structure and presents methodology. Section 3 describes the data and

explains the testable hypotheses. Section 4 consists of findings and discussions. Finally, Section 5 presents conclusions.