

## Markets at a glance

### Trendspotter

**Signals** (click on links to obtain up to-date signal )

[Dow Jones \(DJ\)](#)

[S&P 500 \(SP\)](#)

[FTSE 100 \(X\)](#)

[DAX \(DY\)](#)

[£/US\\$ \(BP\)](#)

[US Dollar Index \(DX\)](#)

[Crude Oil \(CL\)](#)

[Gold \(GC\)](#)

[Coffee \(KC\)](#)

[Sugar \(SB\)](#)

[Wheat](#)

[Cotton](#)

[Rough Rice](#)

# The Insider Trader

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## Is It Time to Buy Russian Stocks?

**W**hat's the most hated stock market in the world and who is one of the most hated (still living) leaders? Well in my humble opinion it has to be the Russian stock market and President Vladimir Putin. Every time you switch on the news (except pro Russian television channel RT) it is bad news about Russia.

It's all about how Putin has upset someone; the US adds another economy sanction, how lower oil prices are crippling the country and the general view is that Russia is back to the 1980s and everyone is living on potatoes and home brewed Vodka!

Whilst no one is saying Russia is all rainbows it's not in the dark ages either and we are already seeing that Russian stocks even with the weak oil price are doing well this year. The RSX ETF which tracks larger stocks is one of the best ETFs so for this year it's up 28%. I agree it's coming off a low base but the past

past does not matter to me, I am investing now. Investors that bought the RSX when it first launched in 2007 are down 50%.

While sanctions were meant to punish Russia, and to some extent they have, they've also encouraged domestic producers. Western hostility has also pushed Russia, China and India closer together, boosting trade and diplomatic cooperation between these three extremely significant economies. Sanctions have not cut Russia off, so much as created a trade diversion. The US and Europe may have cut ties, but the rest of the world has not.

The Russian Rubble is notoriously volatile with many Russians still preferring to hold US\$ or Swiss Francs but so far this year the Rubble has held up well and has gained around 7%.

### Large cap Russian ETF— heavy exposure to Energy—down 50% since since 2007



AUD	2.50%
NZD	2.50%
CAD	1.00%
EUR	0.50%
GBP	0.50%
USD	0.25%
JPY	0.10%
CHF	0.00%

There is even a clip in a Simpson's episode showing how volatile the rubble is. <https://www.youtube.com/watch?v=IYD9xu92zSg>



If the currency can just remain where it is for the next 12 months then that will also help to stabilise the stock market.

### What people are searching for - Google Trends

Google remains the most powerful search engine (apart from China) so it's always good to see what others are searching using the Google Trends site, just go to: <http://www.google.com/trends>

If we enter "Russian stocks" "Russian ETF" we can get an idea of what interest there is and right now the interest in Russian stocks is fairly low which is a good sign. Trading just off google trends is not really viable but can be another tool to look at, my overall view that Biotech has become a little bit overbought also lines up with a lot of searching for "biotech stocks."

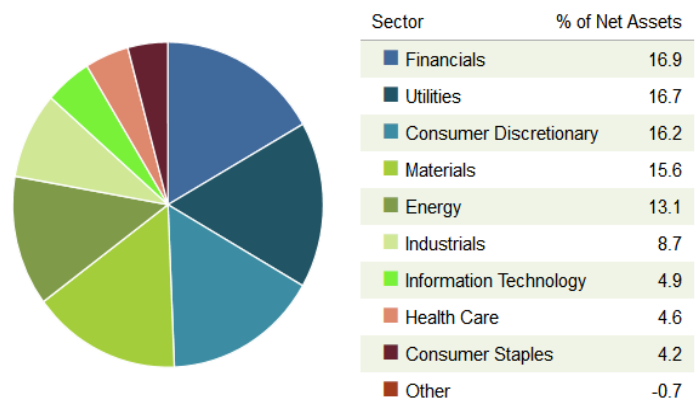
### How would I invest in Russia?

As mentioned RSX is the main ETF and has the highest volume (see table) but this is heavily weighted to oil and energy. An alternative and this takes the view that the domestic internal market will pick up is investing in the smaller companies ETF RSXJ and you can see some of the companies that make up this ETF below. You can download the factsheet from: <https://www.vaneck.com/market-vectors/equity-etfs/rsxj/snapshot/>

Instead of the usual oil companies the biggest holding is PIK which is the largest real estate and homebuilder company in Russia. Transneft is a Russian state-owned transport monopoly, the largest oil pipeline company in the world.

If we look at the exposure breakdown we see the largest sector is Financials. Energy still has a big weighting at 13% but it's not outsized. RSX has 43% exposure to energy so really becomes a bet on the Russian energy sector.

Sector Weightings (%) as of 03/31/15



Symbol	Name	Price	Change	Assets * ▼	Avg Vol	YTD
<a href="#">RUSS</a>	<a href="#">Direxion Daily Russia Bear 3x Shares</a>	\$8.64	+10.49%	\$62,320	1,786,985	-69.25%
<a href="#">ERUS</a>	<a href="#">iShares MSCI Russia Capped Index Fund</a>	\$14.70	-3.10%	\$292,742	454,723	+28.16%
<a href="#">RBL</a>	<a href="#">SPDR S&amp;P Russia ETF</a>	\$18.24	-3.24%	\$34,429	26,074	+27.02%
<a href="#">RSX</a>	<a href="#">Market Vectors Russia ETF</a>	\$18.81	-3.74%	\$2,143,788	16,662,115	+28.57%
<a href="#">RSXJ</a>	<a href="#">Market Vectors Russia Small-Cap ETF</a>	\$23.04	-1.29%	\$65,135	46,152	+16.07%
<a href="#">RUSL</a>	<a href="#">Direxion Daily Russia Bull 3x Shares</a>	\$28.65	-10.36%	\$226,122	1,631,437	+73.22%

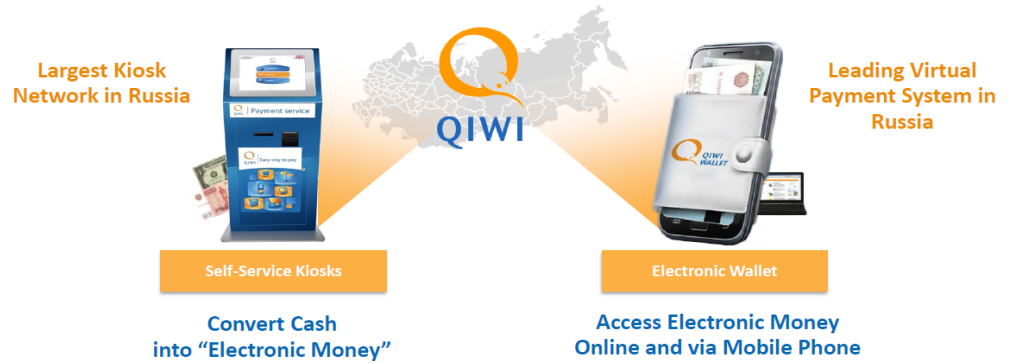
So far the RSXJ is up 16% Year to Date and currently at \$23 I think we can get back to \$28 by the end of the year. **Just to be clear I would only buy a fairly small amount of this ETF and it goes without saying investing in Russia is risky, but with the ETF you spread the risk.**

**Qivi (NASDAQ) \$26.00**

Qivi plc, together with its subsidiaries, operates electronic online payment systems primarily in Russia, Kazakhstan, Moldova, Belarus, Romania, the United States, and the United Arab Emirates. It provides payment services through operating approximately 142,000 kiosks and 38,000 terminals in its payment processing platform. The company also offers Visa Qivi Wallet, an online and mobile payment processing, and money transfer system that allows account holders to pay for the products and services of merchants, as well as to perform peer-to-peer money transfers through a virtual wallet in the online and mobile environment; and provides Visa-branded prepaid cards.

Staying with the Russian theme Qivi which can be traded via the US listing is an interesting company. It's at a reasonable valuation of P/E 18 and pays a nice dividend of 5.7%. After a terrible 2014 the stock is up 30% and can still go higher. Again, it does carry risk from the overall Russian market but I think it's worth a small investment and the stock could get back to \$35 in the next 12 months. What is important to note is that Russia and other CIS countries are still very cash heavy with 90% of transaction cash based. QIWI allows a way to pay for goods online or in shops without having cash or a traditional credit card.

**QIWI is a Provider of Next Generation Payment Services**



**QIWI Enables Consumers and Merchants to Use and Accept Electronic Payments**

- Pay Bills
- Top Up Mobile Phone
- Shop Online/Via Mobile
- Get and Load a Prepaid Card
- Send Money
- Pay with Mobile Phone
- Multi Level Marketing
- Repay Loans
- Make Utility Payments
- Send Social Media Gifts
- Pay in online games
- Many More...

**Top 10 Holdings (%)** as of 03/31/15

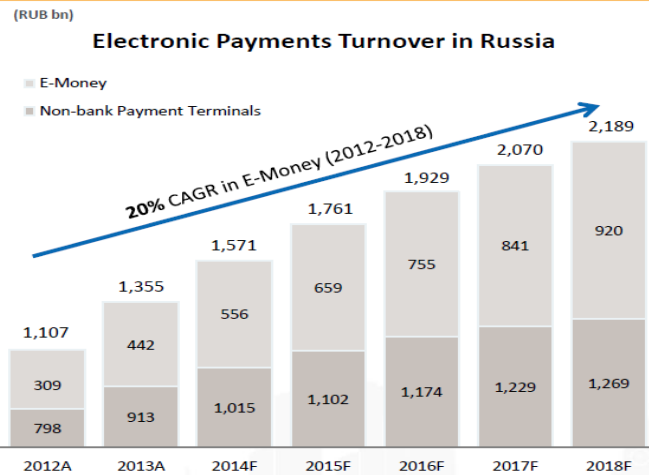
[View All Holdings »](#)

Total Holdings: 30				
Holding Name	Ticker	Shares	Market Value (US\$)	% of Net Assets
Pik Group	PIK LI	1,556,162	5,062,934	8.54
Ak Transneft Oao	TRNFP RX	2,184	4,672,715	7.88
Lsr Group	LSRG LI	2,004,283	4,549,722	7.68
Inter Rao Ues Oao	IRAO RM	193,421,600	3,676,171	6.20
Magnitogorsk Iron & Steel Works	MMK LI	1,034,824	3,416,928	5.76
Qivi Plc	QIWI US	121,183	2,910,816	4.91
Federal Grid Co Unified Enrgy Systm Jsc	FEES RM	2,361,571,200	2,666,214	4.50
Aeroflot - Russian Airlines Ojsc	AFLT RM	4,526,806	2,640,662	4.45
Globaltrans Investment Plc	GLTR LI	557,692	2,508,687	4.23
O'Key Group Sa	OKEY LI	672,993	2,480,444	4.18
<b>Top 10 Total (%)</b>				<b>58.33</b>

# QIWI is Well Positioned in Fast Growing Markets with Favorable Secular Trends



## Fast Growth



## Favorable Secular Trends

- High Cash Usage**
  - Russia and the CIS are primarily cash economies
  - c. 90 % of Payments are cash
- Limited Infrastructure**
  - Limited infrastructure in place to use electronic payments
  - QIWI provides key infrastructure
- Fast Growth of E-Payments**
  - Rapid growth in online payments
  - QIWI is a leading online payment system

**QIWI is Well-Positioned to Continue to Benefit from High Growth Trends in the Markets it Serves**

## Other Russian Stocks

Other Russian stocks with a US listing include **Yandex (YNDX)** which is the leading Internet search engine in Russia. Telecom company **Vimpelcom (VIP)** VimpelCom Ltd. provides telecommunications services in Italy, Russia, Ukraine, Kazakhstan, Uzbekistan, Tajikistan, Armenia, Georgia, Kyrgyzstan, Laos, Algeria, Bangladesh, and Pakistan is bouncing back and up 35% so far this year.

**Mobile TeleSystems OJSC (MBT)** provides a range of mobile and fixed line voice and data telecommunications services in Russia and the CIS. It offers data transfer, broadband, pay-TV, and various value-added services, as well as sells equipment and accessories. The company also provides network and Internet access facilities MBT is up 50% so far this year and could have another 50% to go. It even pays a 5% a year dividend.



**Risk Warning** All trading and investing involves risk and you should only invest what risk capital that you can afford to lose. These trading ideas are based on buying Exchange Trading Funds or stocks outright, should you decide to spread bet then other risks will be present. Only speculate with money you can afford to lose. Spread betting may not be suitable for all readers, therefore ensure you fully understand the risks involved. Past performance is not necessarily a guide to future performance. Ultimately all investment decisions are made by you. Insider Trader does not advise when to open or close a transaction. If you choose to open a transaction it is based on your own judgement and research and at your own risk. It is the responsibility of visitors to this Site to ascertain the terms of and comply with any local law or regulation to which they are subject.