

Russian business & finance

Russia's rookie investors fuel stock market trading boom

Rate cuts and savings tax raid prompt millions to pour cash into shares and bonds



Vladimir Putin announced a 13 per cent tax on interest from all bank deposits over 1m roubles (\$14,000) in March © FT montage; Reuters; Getty Images

Henry Foy and Max Seddon in Moscow YESTERDAY

Millions of Russians are pushing their savings into local stocks and bonds, helping to steady a market that has long been at the mercy of swings in sentiment among foreign investors.

A campaign of rate cuts by the central bank has pulled the country's benchmark interest rate down from 17 per cent five years ago to 4.5 per cent last month — a post-Soviet low that dents the appeal of savings. On top of that, president Vladimir Putin announced a [13 per cent tax](#) on interest from all bank deposits over 1m roubles (\$14,000) in March, to help fund the state's response to coronavirus.

The result is an unprecedented [surge](#) into the stock market by amateur investors, mimicking a similar craze [in the US](#), [UK](#) and [China](#) and potentially reshaping how the country's markets work.

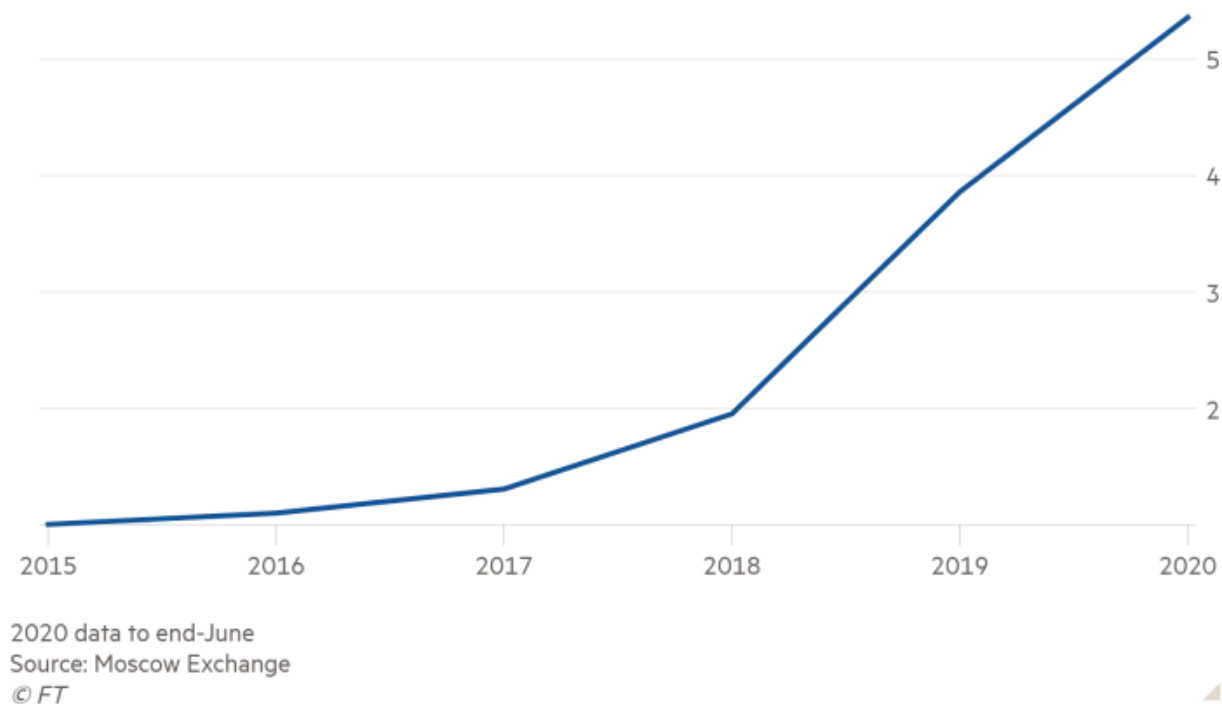
Retail investors accounted for 42 per cent of trading volumes on the exchange in June, up from 34 per cent a year earlier. More than 5.3m individual Russians now have brokerage accounts for trading stocks on the local stock market, a rise of 1.5m since January.

“We are seeing totally different numbers of retail investors than ever before,” said Andrei Braginsky, a spokesperson at the Moscow Exchange. “People are looking for an alternative way to save or grow their money.”

Much of the new capital is flowing out of bank saving accounts, ahead of the new tax, which will come into effect at the end of the year and hit around 45 per cent of Russian deposits.

Russian retail investors flock to the market

Number of individuals with a brokerage account on the Moscow Exchange (m)



Online lender Tinkoff has added 1m retail investment accounts so far this year to take its total to 2.4m, the most in Russia. Chief executive Oliver Hughes said this is just the start.

“[The country is] at just over 5m accounts now, but could it soon grow to 10, 15, 20m brokerage accounts in Russia? Sure. It should do,” he added. “It is a big shot in the arm for capital markets in Russia.”

Rasim Hisamov, a Moscow-based consultant, had never invested in stocks before taking the plunge this summer, after the Kremlin announced its raid on bank deposits.

“My knowledge of the stock market is minuscule, but I chose an exchange-traded fund as it gives me a good diversification of my investments,” he told the FT. “At the moment I have invested around 400,000 roubles,” he said. “But I have chosen a long-term strategy, so I plan to continue investing.”

Ivan Shobik, a 24 year old analyst who works for a bank in Moscow, cited the extra income offered by assets such as dividend-paying stocks compared with interest on bank accounts.

“And [now] we have a tax on bank deposits!” he added. Having made short-term trades in the past, Mr Shobik said he had now “bought stocks to hold for a long time, as an investor, not a trader.”

The impact is already visible. Russia’s financial markets have long been dependent on foreign inflows and have often proven sensitive to shifting geopolitics. But in March, when overseas capital began to flow out of Russia in a burst of global risk aversion, domestic money helped prop up prices.

Russian banks held retail deposits worth \$448bn on June 1, according to central bank data, while the total free float of the MSCI Russia Index is less than \$200bn.

On that basis, if just 15 per cent of deposits were to be funnelled into the stock market, it would equate to about one-third of the MSCI Russia free float, said Luis Saenz, co-head of equities at BCS Global Markets in London. Such “a hefty amount . . . would re-rate Russian equities,” he added.

Tinkoff, Sberbank and VTB account for almost 90 per cent of retail brokerage accounts in Russia. VTB is also planning to launch a retail investments platform with Yandex, Russia’s largest tech company, according to people involved in the deal.

The rise of retail investing is “about infrastructure and access,” said Mr Braginsky at the stock exchange. “This can all be done online, and so people sat at home for the past three months are finding it very convenient to set up accounts and start investing. That was not the case just a few years ago.”

Russia’s central bank is planning to take steps to reduce the risks of trading for inexperienced investors. A law under discussion in parliament would allow all investors to buy a limited range of high-quality stocks, bonds, and securities, but require them to pass tests to assess their familiarity with the market before trading more complex instruments.

“Right now everything’s fine, people want all instruments to be available to them. But as soon as they lose something on a risky investment, they lose heart, forget they were acting at their own risk, and expect to get their money back,” central bank governor Elvira Nabiullina said in May.

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