

INFORMED TRADING: NOVEMBER 2017

Change in Russia's Closing Auction Volumes

In September, MSCI announced it will use the Closing Auction Price instead of the Last Traded Price for securities traded on the Moscow Exchange in calculating the MSCI Global Investable Market Indices. They implemented this change on 30th October 2017, over two years after FTSE implemented the same methodology.

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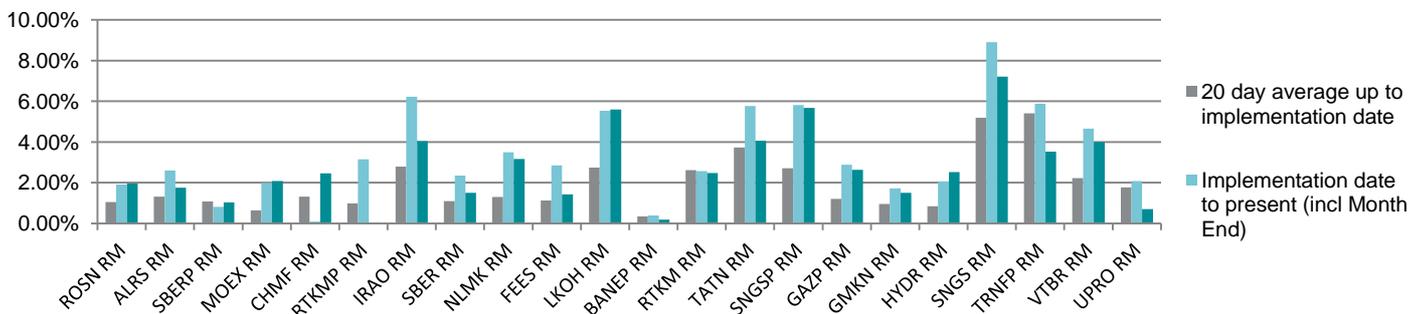
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Change in closing auction volume as a percentage of the day's volume

For the purpose of this analysis, we took the MSCI Emerging Market's latest Russian constituents and looked at average closing auction volumes as a percentage of the day's volume. Date ranges used for the analysis are:

- Pre: 20 day average volumes up to 29th November 2017 (day before MSCI's implementation)
- Post: Average volumes from 30th October 2017 (implementation date) to date
- Post: Average volumes from 1st November 2017 to date (allowing us to exclude month end)

We observe that since the change in MSCI's closing price calculation methodology, the closing auction as a percentage of the day's volume only accounts for 1% more volume on average than before implementation of the change. Clearly, the time frame over which we are analyzing is very small but this early analysis provides us with a snap shot against which to make comparisons in coming months.



The week of 13th November 2017 has seen a handful of ad hoc index reweights in Russia for FTSE All World Indices and MSCI indices in Severstal (CHMF RX). We observe through the implementation of these reweights, closing auction volumes were not as high as expected. 567,948 shares were expected to trade for the FTSE trade, however only 201,530 shares printed in the auction. The following day for the MSCI reweight, the expected demand was 2.396mn shares, with only 1.239mn trading in the auction.

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