
RUSSIA MAY BE ODD HAVEN IN TRUMP ERA

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Donald Trumps election as president could dent enthusiasm for emerging markets, one of 2016s big winners. Prospects for trade and globalization plus higher U.S. interest rates are reasons for concern. But Russia looks like an exception—in part because of its already-isolated status.

Russia financial markets bucked the trend Wednesday. While the MSCI Emerging Markets stock index fell 2.5%, the MSCI Russia gained 1.9%. The ruble rose against the dollar, even as currencies like the Mexican peso, South African rand and Turkish lira took a pasting.

The bull case rests on hopes for the easing of sanctions, based on Mr. Trumps apparent desire for a closer relationship with Russia. But even without that, Russia may be okay if U.S. policies lean toward protectionism. Russia isnt reliant on constant flows of capital in financial markets. It runs a current account surplus and its government debt level is low.

The outlook for the Russian economy is improving as the hit from lower oil prices fades. The International Monetary Fund forecasts a return to growth next year, albeit at a 1% pace.

Overreliance on commodities, poor demographics and weak investment continue to be problems. Russian President Vladimir Putins unpredictable nature and tensions over Syria and Ukraine arent going away, even if Mr. Trumps election looks like good news for him.

In the near term, oil may still be the swing factor for Russian markets. Falling prices would be a setback, albeit a familiar one, but some see Mr. Trumps inflationary policies as positive for commodities in general.

The key factor that makes Russia different is that it has already suffered a deterioration in its international relations. U.S. protectionism wont make Russias position worse. But a friendlier

Washington could give Russia a boost.

Other emerging countries may face new threats to their economic models. Even if detente proves a stretch, Russias exposure to shocks looks more limited.

Kaynak/Source: