

Russian Equities Weekly

May 27–31, 2019

	Week	YTD
RTS Total return (TR) in USD	0.7%	21.4%
MOEX index TR in RUB		
Composite	1.8%	13.4%
Blue chip	2.0%	15.8%
Small and mid-cap	-0.5%	6.4%
MOEX sector indices TR in RUB		
Oil & Gas	2.8%	10.4%
Metals & Mining	1.9%	1.9%
Consumer Goods	1.5%	8.5%
Power Utilities	-0.2%	14.1%
Financial Services	-0.3%	13.0%
FX		
RUB/USD	-1.4%	6.3%
RUB/EUR	-0.7%	9.6%

Data as of May 31, 2019

TKB Investment Partners (JSC) calculations; Bloomberg

Up with EM

Russian equity market dynamics

The Russian equity market ended in the black for the third consecutive week. RTS and MSCI EM gained 0.7% and 1.2% respectively, while MSCI World lost 2.3%. High dividend yield topic continue to support Russian market. Gazprom, VTB, Sberbank and Rosneft recently have increased their dividend pay-outs. Moreover, Gazprom is going to revise its dividend policy by the end of this year. The company thinks to keep dividend pay-out ratio at 50% of IAS net profit.

The oil and gas sector outperformed the market, despite oil tumbled by 9.2%. The sector was driven by Gazprom and Tatneft. Besides the new about revision of dividend policy Gazprom reported strong financial results for Q1 2019. Tatneft got confirmation of “BBB-“credit rating with a stable outlook by the Fitch Ratings.

The main laggard was the financial sector after VTB Bank provided weak IFRS financial results for Q1 2019.

Main Russian news

Russia remained at 45th place in the IMD annual world competitiveness ranking. The ranking benchmarks the performance of 63 countries based on more than 340 criteria in four groups: economic performance, government efficiency, business efficiency, and infrastructure. According to the IMD report, Russia showed improvement in macroeconomic indicators performance, government budget, and business effectiveness but lagged in infrastructure development and demography comparing with the last year.

The Central Bank of Russia (CBR) confirmed the possibility of reducing the key rate in the Q2 or Q3 of 2019. The chairman of the CBR announced it on Thursday in the State Duma. The International Monetary Fund (IMF) also stated that easing monetary policy in Russia would be now appropriate. The IMF team warns that delay in reducing rates would increase the possibility of undershooting the inflation target in 2020. The next decision on the key rate will be taken by the CBR Board of Directors on June 14.

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To watch...

Rosstat is due to post the CPI report for May

Sources: Vedomosti, Rosstat, Bloomberg, TKB Investment Partners (JSC); May 2019

Quarterly results: actual vs. consensus for EPS

(earnings per share), adjusted, (US dollars) *

Major RTS index constituents	Q2 '18	Q3 '18	Q4 '18	Q1 '19
Lukoil	1%	22.3%	18.8%	-9.6%
Gazprom	-12.3%	29.2%	-	1.2%
Sberbank	-4%	4.5%	14.1%	6.4%
Novatek	6%	20.5%	-	-
Tatneft	33.7%	41.2%	-18.8%	-
Magnit	-19%	12.4%	7.8%	-49.5%
MTS	-8%	13.6%	-46.1%	21.3%
VTB	7%	-90.7%	0.0%	0.0%
Alosa	13%	-10.9%	-12.2%	14.3%
Severstal	14%	0.0%	-10.7%	-1.9%
NLMK	14%	12.3%	-	238.9%
Moscow Exchange	-8%	4.2%	10.6%	0.0%
Magnitogorsk Iron & Steel	6%	0.0%	-20.0%	18.2%
Phosagro	-45%	-8.0%	-41.5%	-20.9%

* based on Bloomberg consensus

	Actual figure is better than consensus by more than 5%
	Actual figure is worse than consensus by more than 5%
	The deviation of actual results from consensus is between -5% and +5%

Source: Bloomberg, TKB Investment Partners; data as of May 31, 2019

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