

Russian Equities Weekly

June 24–28, 2019

	Week	YTD
RTS Total return (TR) in USD	0.4%	32.7%
MOEX index TR in RUB		
Composite	0.2%	19.9%
Blue chip	0.2%	22.2%
Small and mid-cap	0.7%	11.5%
MOEX sector indices TR in RUB		
Oil & Gas	0.7%	13.9%
Financial Services	0.0%	21.6%
Consumer Goods	-0.2%	9.9%
Power Utilities	-0.5%	27.3%
Metals & Mining	-1.1%	8.1%
FX		
RUB/USD	-0.4%	9.3%
RUB/EUR	-0.7%	10.3%

Data as of June 28, 2019

TKB Investment Partners (JSC) calculations; Bloomberg

Markets in a holding pattern

Russian equity market dynamics

Last week the Russian equity market continued to rise, as did the broader emerging markets (EM). The RTS and MSCI EM indices rose by 0.4% each. Trading was subdued as investors awaited the G20 summit and the latest OPEC+ meeting.

The oil & gas sector outperformed the market. This was mainly due to Gazprom, whose share price rose by 1.6%, and Surgutneftegas, whose preferred shares increased by 3.4%, both figures in rouble terms. It looks like expectations about future high dividends from Gazprom continue to support the stock. Surgutneftegas approved a dividend of RUB 7.62 per preferred share, which equates to a dividend yield of 17.8%.

The metals & mining sector was the worst performer of the week. It was dragged down mainly by Novolipetsk steel and Alrosa. V. Lisin, the controlling shareholder in Novolipetsk Steel, sold a 2.6% stake through ABB. Following the placement, shares fell by 5.81% on the day. Alrosa's management said its sales this year could be below target. According to E. Agureev, a director of Alrosa's United Selling Organisation, the company's goal is to get back to normal market conditions rather than to maximise sales at any cost.

Main Russian news

Russia and Saudi Arabia agreed to extend oil production cuts. The only uncertainty left is the time period over which the cuts will be made. The OPEC+ group's agreement can be extended for six or nine months, with the volume of production cuts remaining unchanged. The details should be finalised at the OPEC+ meeting this week.

The European human rights organisation, the Parliamentary Assembly of the Council of Europe (PACE) has invited Russia back to its membership. In 2014, Russia was stripped of its voting rights following the Crimea referendum. In 2016, no new delegation from Russia was appointed at all, the same sanctions still being in force. PACE, concerned that Russia would refuse to pay its contributions, gradually made concessions until finally announcing that Russia's membership would be restored. Votes in favour of Russia's reinstatement came from Germany, France, Italy, Belgium and the Nordic countries. Last week, the Russian delegation got to vote for a new Council of Europe secretary general.

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To watch...

The next OPEC+ meeting takes place on 1–2 July.

Sources: Vedomosti, Rosstat, Bloomberg, TKB Investment Partners (JSC); June 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%	2.0%
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 June 28, 2019

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