

Russian Equities Weekly

July 15–19, 2019

	Week	YTD
RTS Total return (TR) in USD	-1.0%	33.3%
MOEX index TR in RUB		
Composite	-1.1%	20.3%
Blue chip	-1.4%	22.3%
Small and mid-cap	-0.5%	12.0%
MOEX sector indices TR in RUB		
Metals & Mining	1.7%	8.7%
Consumer Goods	-0.1%	12.9%
Oil & Gas	-1.0%	13.5%
Power Utilities	-1.6%	24.3%
Financial Services	-1.9%	23.4%
FX		
RUB/USD	-0.1%	9.8%
RUB/EUR	0.0%	11.9%

Data as of July 19, 2019

TKB Investment Partners (JSC) calculations; Bloomberg

Strengthening macroeconomic indicators

Russian equity market dynamics

Last week, the Russian equity market underperformed other emerging markets (EM). The RTS lost 1.0% while MSCI EM index rose by 0.8%. The end of the dividend season and the price of Brent crude oil falling by 7.3% put pressure on the Russian market.

The metals & mining sector was the best performer, mainly due to Norilsk Nickel and Novolipetsk Steel, whose share prices rose by 5.0% and 2.4%, respectively, in rouble terms. Norilsk Nickel was supported by the global growth of nickel prices. Novolipetsk Steel published a Q2 2019 trading update in which its semi-finished product volumes exceeded market expectations.

The financial services sector was the worst performer of the week, dragged down mainly by VTB and Sberbank, despite the lack of any fundamental news to explain the poor performance of these stocks.

Main Russian news

Key macroeconomic indicators mostly strengthened in June. The increase in industrial production was mainly due to a rise in manufacturing. Rosstat revised the real wage growth level for May from 2.8% to 1.6%. The indicator increased in June from the revised May figure.

Indicator	Growth YoY	
	May 2019	June 2019
Industrial production	0.9%	3.3%
Manufacturing	-1.0%	3.4%
Extraction	2.8%	2.3%
Retail sales	1.4%	1.4%
Food	1.7%	1.4%
Non-food	1.0%	1.5%
Real wages	1.6%*	2.3%

* Figures revised by Rosstat

Economic activity improved in the second quarter of 2019. The main driver in Q2 2019 was industrial production, which grew by 3.0% YoY from 2.1% YoY in the previous quarter. Retail trade fell from 1.9% YoY in the first quarter to 1.5% YoY in the second. Real disposable income growth improved in the second quarter but remained negative (-0.2% YoY in Q2 vs. -2.5% YoY in Q1). The slight improvement was due to slowing inflation and higher wages.

The S&P ratings agency confirmed Russia's credit rating at BBB-. According to the agency, Russia's strong fiscal position offsets the risks related to sanctions. The Russian Ministry of Finance said it expects the stable macroeconomic environment to be a valid reason for any future improved rating.

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To watch...

The Central Bank of Russia (CBR) will hold a monetary policy meeting this week.

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

Quarterly results: actual vs. consensus for EPS (earnings per share), adjusted, (US dollars) *

Major RTS index constituents	Q3 '18	Q4 '18	Q1 '19	Q2 '19
Lukoil	22.3%	18.8%	-9.6%	
Gazprom	29.2%	-	1.2%	
Sberbank	4.5%	14.1%	6.4%	
Novatek	20.5%	-	-	
Tatneft	41.2%	-18.8%	2.0%	
Magnit	12.4%	7.8%	-49.5%	
MTS	13.6%	-46.1%	21.3%	
VTB	-90.7%	0.0%	0.0%	
Alosa	-10.9%	-12.2%	14.3%	
Severstal	0.0%	-10.7%	-1.9%	-11.2%
NLMK	12.3%	-	238.9%	
Moscow Exchange	4.2%	10.6%	0.0%	
Magnitogorsk Iron & Steel	0.0%	-20.0%	18.2%	
Phosagro	-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 July 19, 2019

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