

# Russian Equities Weekly

July 22–26, 2019

	Week	YTD
<b>RTS Total return (TR) in USD</b>	-0.2%	33.1%
<b>MOEX index TR in RUB</b>		
Composite	0.6%	20.9%
Blue chip	0.9%	23.4%
Small and mid-cap	-0.4%	11.6%
<b>MOEX sector indices TR in RUB</b>		
Oil & Gas	1.0%	14.7%
Power Utilities	0.2%	24.5%
Financial Services	-0.2%	23.1%
Metals & Mining	-0.6%	8.1%
Consumer Goods	-1.2%	11.5%
<b>FX</b>		
RUB/USD	-0.6%	9.1%
RUB/EUR	0.7%	12.7%

Data as of July 26, 2019

TKB Investment Partners (JSC) calculations; Bloomberg

## Another key rate cut

### Russian equity market dynamics

**Last week, the Russian equity market outperformed other emerging markets (EM).** The RTS lost 0.2% while MSCI EM index lost 0.8%. The Russian market was mainly supported by the rise in Gazprom's share price.

**The oil & gas sector was the best performer,** mainly due to Gazprom and Novatek, whose share prices rose by 8.4% and 3.5%, respectively, in rouble terms. Gazprom sold a 2.9% stake in the company to an unnamed individual buyer. Novatek published its Q2 2019 IFRS results. In the follow-up conference call, the company said revenue rose by 12% YoY, mainly due to strong gas sector figures. The key takeaway from the call was that Novatek raised its capex guidance for 2019 driven by its investments in the Ob LNG project.

**The consumer goods sector was the worst performer of the week,** dragged down mainly by X5 Retail Group and Lenta. X5 fell despite the lack of any fundamental news. Lenta published its Q2 2019 operating results, in which it said it achieved a 0.4% YoY increase in revenue, which was well down from the 6.0% YoY revenue increase it reported for Q1, mainly due to a sharp fall in wholesale revenues.

## Main Russian news

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**The Central Bank of Russia (CBR) cut the key rate by 25bp to 7.25%.** The bank said the main reasons for the move were that inflation and economic growth were slowing. The CBR sees the possibility of another rate cut in the coming months. It also stated that the neutral rate of 6%-7% will be achieved in the first half of 2020. According to the CBR, risks from budget spending and slowing consumer demand are prevailing over geopolitical and commodity market risks currently, and cited usage of the excess National Wealth Fund money as one of the major threats that could speed up inflation.

**The IMF downgraded its economic growth forecast for Russia for 2019 but lifted its forecast for 2020.** The IMF now foresees Russian GDP for 2019 at 1.2% YoY, which is below than the Russian Ministry of Financial Development's forecast of 1.3% YoY. It was the fourth time the IMF had reduced its forecast since the beginning of this year and was mainly based on weak data for the first quarter of 2019. This showed a stronger-than-expected slowing of the Russian economy, with Rosstat reporting Q1 2019 GDP at only 0.5% YoY, rising slightly to 0.8% YoY in the second quarter. However, the IMF improved its forecast for 2020 from 1.7% to 1.9% YoY, with its analysts expecting GDP growth to be supported by higher budget spending on national projects, and in particular on infrastructure.

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## To watch...

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There is no significant news due 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%	-	-	-0.9%
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%	0.3%
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 26, 2019

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