

# Russian Equities Weekly

July 29 – August 2, 2019

	Week	YTD
<b>RTS Total return (TR) in USD</b>	-4.1%	27.7%
<b>MOEX index TR in RUB</b>		
Composite	-1.5%	19.1%
Blue chip	-1.8%	21.3%
Small and mid-cap	0.0%	11.6%
<b>MOEX sector indices TR in RUB</b>		
Consumer Goods	-0.5%	10.9%
Oil & Gas	-0.7%	13.8%
Financial Services	-1.2%	21.6%
Power Utilities	-1.3%	22.9%
Metals & Mining	-1.8%	6.2%
<b>FX</b>		
RUB/USD	-2.7%	6.2%
RUB/EUR	-2.8%	9.5%

Data as of August 2, 2019

TKB Investment Partners (JSC) calculations; Bloomberg

## Down with the Emerging Markets

### Russian equity market dynamics

**Last week, the Russian equity market contracted in line with broader emerging markets (EM).** The RTS index lost 4.1% while MSCI EM index lost 4.2% (all figures in USD terms). As well as new US import tariffs on China putting EM under pressure, new US sanctions on Russia had a mild adverse impact on Russian equities' dynamics, which may otherwise have outperformed EM last week.

**The consumer goods sector was the best performer,** mainly due to Lenta and M Video, whose share prices both rose by 1.1%, in rouble terms. There was no news to justify the mediocre performance of these stocks.

**The metals & mining sector was the worst performer of the week,** dragged down mainly by MMK and Alrosa. MMK published Q2 2019 IFRS results, in which its free cash flow was below market expectations because of higher iron ore costs. Additionally, the broader steel market fell after president Trump announced new tariffs on Chinese goods. Alrosa's share price dropped after De Beers reported that its H1 2019 rough diamonds sales had fallen by 53% YoY, which investors took as confirming that the short-term outlook for the diamonds market remains weak.

## Main Russian news

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**The US announced new sanctions on Russia.** It was the second round of Chemical and Biological Weapons (CBW) sanctions since last year's attack on the Skripal family. The most notable was a ban on US banks from being involved in the Russian primary sovereign eurobond market.

The new sanctions came in place significantly later than planned. Initially the US promised second round of sanctions in November last year.

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## To watch...

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Rosstat is due to post inflation figures for July this week.

Sources: Vedomosti, Rosstat, Bloomberg, TKB Investment Partners (JSC); August 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%	0.5%
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 August 2, 2019

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