

Russian Equities Weekly

August 26–30, 2019

	Week	YTD
RTS Total return (TR) in USD	2.0%	27.7%
MOEX index TR in RUB		
Composite	3.0%	22.0%
Blue chip	2.9%	24.0%
Small and mid-cap	1.4%	10.6%
MOEX sector indices TR in RUB		
Metals & Mining	5.0%	12.7%
Power Utilities	3.1%	22.6%
Consumer Goods	2.7%	13.5%
Oil & Gas	2.3%	14.7%
Financial Services	1.8%	21.2%
FX		
RUB/USD	-1.0%	3.7%
RUB/EUR	0.0%	7.9%

Data as of August 30, 2019

TKB Investment Partners (JSC) calculations; Bloomberg

State confirms Russia's resilience to oil price swings

Russian equity market dynamics

Last week, the Russian equity market outperformed other emerging markets (EM). The RTS gained 2.0% while MSCI EM index rose by 1.2% (all figures in USD terms). High dividend yields after corrections to the Russian market lured investors into buying stocks.

The metals & mining sector outperformed the market. This was mainly due to Polymetal International, Severstal and Polyus Gold, whose share prices rose by 7.8%, 6.0% and 5.3%, respectively, in rouble terms. Polymetal and Polyus Gold were supported by rising gold prices. Severstal rose together in line with the steel market, despite the lack of specific company news.

The financial services sector was the worst performer of the week, dragged down mainly by Bank of St Petersburg and Sberbank. There was no fundamental news to explain the weak performance of these stocks.

Main Russian news

The Minister of Economic Development, Maksim Oreshkin, claims that Russia is well prepared for the stress scenario of oil prices at USD 40 per barrel. He gave assurances that although investment would become more complex should prices fall below that level, the economy would not come under significant pressure because of it. According to Mr Oreshkin, even the slowdown in **the global economy would affect Russia less than in the past** because the macroeconomic transformations put in place over the last couple of years would provide some protection. In particular, he claimed that **the Budget rule regarding prudent use of surplus oil taxes, the transition to a free-float rouble and tight inflation targeting have made the Russian economy more resilient to shocks.**

Earlier in August the Ministry of Economic Development downgraded its forecast for oil prices to USD 62.2 per barrel for 2019 and expects oil to reach USD 57 per barrel in 2020.

The same Ministry downgraded the forecast for several key macroeconomic parameters in 2019. The worsening investment environment and the global economic slowdown weakened Russian economic growth in the first half of 2019. **The ministry still expects the economy to grow by 1.3% by the end of 2019.** However, growth of some other key parameters is **likely to slow: real wages and industrial production.**

In 2020, the Ministry expects GDP to grow by 1.7%. Then from 2021 until 2024, GDP is forecast to grow by above 3% per year, mostly through investment growth.

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To watch...

The Central Bank of Russia (CBR) is to hold a monetary policy meeting this week. Rosstat is due to post inflation figures for 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%	32.4%
Gazprom	29.2%	-	1.2%	2.3%
Sberbank	4.5%	14.1%	6.4%	0.5%
Novatek	20.5%	-	-	-0.9%
Tatneft	41.2%	-18.8%	2.0%	-1.3%
Magnit	12.4%	7.8%	-49.5%	-
MTS	13.6%	-46.1%	21.3%	-7.8%
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%	12.8%
Magnitogorsk Iron & Steel	0.0%	-20.0%	18.2%	-83.2%
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 30, 2019

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