

Russian Equities Weekly

October 14 – 18, 2019

	Week	YTD
RTS total return (TR) in USD	2.0%	35.4%
MOEX index TR in RUB		
Composite	1.7%	24.0%
Blue chip	1.6%	26.1%
Small and mid-cap	2.1%	8.2%
MOEX sector indices TR in RUB		
Consumer Goods	1.9%	3.7%
Financial Services	1.7%	23.3%
Power Utilities	1.7%	24.1%
Metals & Mining	1.3%	10.8%
Oil & Gas	1.1%	22.1%
FX		
RUB/USD	0.7%	8.5%
RUB/EUR	0.0%	11.9%

Data as of October 18, 2019

TKB Investment Partners (JSC) calculations; Bloomberg

Global interest in Russian market

Russian equity market dynamics

Last week, the Russian equity market outperformed other emerging markets (EM). The RTS gained 2.0%, while the MSCI EM index rose by 1.3% (all figures in USD terms). Strong value characteristics of the Russian market helped to attract international investors. Russia dedicated funds saw inflows of USD 46 million last week compared with USD 535 million and USD 77 million in outflows, respectively, from China and India funds.

The consumer goods sector outperformed the broader market. This was mainly due to Detsky Mir and M Video, whose shares rose by 4.6% and 6.2%, respectively, in rouble terms. Detsky Mir published a strong trading update for 3Q, showing a 19.3% increase in revenue YoY compared with 16.3% YoY in Q2. The company said this was the result of moving towards cheaper products, promotional activities and leveraging private labels. M Video rose despite a lack of market-moving news.

The oil & gas sector was the worst performer of the week, dragged down mainly by Surgutneftegas and Tatneft. The stocks underperformed despite a lack of fundamental news.

Main Russian news

Key macroeconomic indicators were mixed in September. The acceleration of growth in industrial production was mainly due to an improvement in manufacturing, which was enough to compensate for the slowdown in extraction. Retail sales slowed mainly due to the food sector. High growth in the non-food sector was not enough to compensate for this at an aggregate level. Rosstat revised real wage growth for August from 3.0% to 2.4% YoY. The data for September have not yet been released.

Indicator	Growth YoY	
	August 2019	September 2019
Industrial production	2.9%	3.0%
Manufacturing	2.7%	3.2%
Extraction	3.1%	2.5%
Retail sales	0.8%	0.7%
Food	0.6%	0.4%
Non-food	0.9%	1.0%
Real wages	2.4%*	not available

* Figures revised by Rosstat

The Ministry of Economic Development reported that Russian economic growth sped up in the third quarter. GDP growth was 1.9% YoY compared with 0.9% YoY in the Q2. **The main drivers were the increase in industrial production and good harvests in the agricultural sector.** The ministry expects Q4 GDP growth to decline to 1.4-1.5% YoY due to slowing consumer demand. GDP rose by 1.2% YoY during January-September and is expected to reach 1.3% by the end of the year, according to the Ministry of Economic Development forecast.

E. Nabiullina, the governor of the Central Bank of Russia (CBR), said that a more aggressive key rate cut was possible. Earlier this year, the key rate was gradually decreasing by 25bps. However, fresh economic and inflation data suggests the need for a more decisive move. The CBR is due to meet later this week to discuss monetary policy. Afterwards, there will be one more meeting this year in December.

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To watch...

The Central Bank of Russia will have its monetary policy meeting this week.

Sources: Vedomosti, Rosstat, Bloomberg, TKB Investment Partners (JSC); October 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%	-9.1%
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%	22.3%

* 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 18 October 2019

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