

Russian Equities Weekly

September 30 – October 4, 2019

	Week	YTD
RTS Total return (TR) in USD	-2.3%	30.4%
MOEX index TR in RUB		
Composite	-2.0%	20.7%
Blue chip	-2.0%	22.7%
Small and mid-cap	-2.7%	7.2%
MOEX sector indices TR in RUB		
Oil & Gas	-1.8%	17.3%
Metals & Mining	-2.1%	8.4%
Power Utilities	-2.2%	21.5%
Consumer Goods	-2.7%	6.5%
Financial Services	-3.1%	19.8%
FX		
RUB/USD	0.1%	7.1%
RUB/EUR	0.0%	11.9%

Data as of October 4, 2019

TKB Investment Partners (JSC) calculations; Bloomberg

Inflation continues to slow

Russian equity market dynamics

Last week, the Russian equity market underperformed other emerging markets (EM). The RTS lost 2.3% while the MSCI EM index contracted by 0.5% (all figures in USD terms). Weak PMI data released last week and increasing concerns about global slowdown dragged down the global markets. Additionally, falling oil prices put pressure on the Russian market. Brent fell by 4.6% on news that Saudi Arabia had managed to restore its oil production to the pre-attack level.

The oil & gas sector outperformed the market. This was mainly due to Surgutneftegas, whose share price rose by 1.1% in rouble terms, despite the lack of fundamental news.

The financial services sector was the worst performer of the week, dragged down mainly by VTB and Moscow Exchange. There was no company-specific news to justify such a performance.

Main Russian news

Inflation in Russia has continued to slow. The consumer price index (CPI) slipped to 4.0% YoY as at the end of September from 4.3% YoY at the end of August. **Inflation is thus at its lowest level since December 2018.** Inflation slowed in the food, non-food and services sectors. Non-food inflation fell to 3.4% YoY vs 3.5% YoY. Food inflation slipped to 4.6% YoY vs 5.0% YoY. Services inflation fell to 4.0% YoY vs 4.4% YoY.

The Ministry of Economic Development believes inflation could slow further, to 3.2% YoY by the end of 2019. This is the third time this year that the Ministry has downgraded its inflation forecast for 2019. The forecast for 2020 was also revised down, to 3% YoY from 3.8%.

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To watch...

There is no significant news due 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%	-
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 October 4, 2019

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