

Russian Equities Weekly

November 25–29, 2019

	Week	YTD
RTS Total return (TR) in USD	-1.2%	43.7%
MOEX index TR in RUB		
Composite	-0.4%	32.3%
Blue chip	-0.4%	35.7%
Small and mid-cap	-0.6%	12.2%
MOEX sector indices TR in RUB		
Consumer Goods	0.9%	10.2%
Financial Services	0.3%	30.6%
Power Utilities	0.1%	26.8%
Metals & Mining	0.0%	12.8%
Oil & Gas	-1.8%	29.7%
FX		
RUB/USD	-1.2%	7.1%
RUB/EUR	-0.7%	11.9%

Data as of November 29, 2019

TKB Investment Partners (JSC) calculations; Bloomberg

Emerging markets turn down

Russian equity market dynamics

Last week, the Russian equity market fell, underperforming other emerging markets (EM). The RTS index lost 1.2%, while the MSCI EM index fell by 0.8% (all figures in USD terms). Markets turned down as US-China tensions escalated after US President Donald Trump signed legislation in support of the pro-democracy protesters in Hong Kong.

The consumer goods sector outperformed the broader market, mainly driven by Yandex, whose shares rose by 5%. A week ago, the company's board approved amendments to the corporate governance structure and authorised the buyback of up to USD 300 million worth of Class A shares. This news continued to have a positive impact on Yandex shares.

The oil & gas sector lagged the wider market. The worst performers were Surgutneftegas, Novatek, and Rosneft, whose shares lost 5.6%, 3.2%, and 2.7%, respectively, despite a lack of fundamental news to explain the falls.

Main Russian news

The Russian government decided on the allocation of 1 trillion roubles (USD 15.5 billion) from the National Welfare Fund (NWF). The money can be lent to other countries, as the Ministry of Economic Development has recommended, and can be invested in domestic infrastructure projects, as suggested by the Ministry of Finance (MoF). A draft of such amendments to the Budget Code was prepared by the MoF.

There are two requirements from the NWF:

1. The share of the NWF in project financing should not exceed 20% of all funding.
2. The interest rate on NWF investments should not be lower than the yield on government bonds (in the corresponding currency and for the same maturity).

Investments are planned for 2020-2022. According to Higher School of Economics (HSE) estimates, investing 300 billion roubles per year in projects can accelerate economic growth by 19bp. If other sources invested the same amount on top of the NWF spending, additional GDP growth would double to 38bp.

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To watch...

OPEC/OPEC+ meetings are planned this week.
Rosstat is due to publish CPI statistics for November

Sources: Rosstat, Bloomberg, TKB Investment Partners (JSC); November 2019

Quarterly results: actual vs. consensus for EPS (earnings per share), adjusted, (US dollars) *

Major RTS index constituents	Q4 '18	Q1 '19	Q2 '19	Q3 '19
Lukoil	18.8%	-9.6%	32.4%	40.1%
Gazprom	-	1.2%	2.3%	15.6%
Sberbank	14.1%	6.4%	0.5%	
Novatek	-	-	-0.9%	-
Tatneft	-18.8%	2.0%	-1.3%	24.3%
Magnit	7.8%	-49.5%	-	-48.5%
MTS	-46.1%	21.3%	-7.8%	6.8%
Alrosa	-12.2%	14.3%	-9.1%	24.3%
Severstal	-10.7%	-1.9%	-11.2%	-11.5%
NLMK	-	238.9%	0.3%	-43.6%
Moscow Exchange	10.6%	0.0%	12.8%	1.4%
Magnitogorsk Iron & Steel	-20.0%	18.2%	-83.2%	
Phosagro	-41.5%	-20.9%	22.3%	11.8%

* 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 29 November 2019

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