

Russian Equities Weekly

December 16–20, 2019

	Week	YTD
RTS Total return (TR) in USD	1.9%	53.0%
MOEX index TR in RUB		
Composite	1.1%	36.6%
Blue chip	1.4%	40.4%
Small and mid-cap	-0.3%	13.6%
MOEX sector indices TR in RUB		
Power Utilities	1.9%	32.1%
Oil & Gas	1.2%	33.9%
Metals & Mining	0.9%	19.8%
Financial Services	-0.9%	32.1%
Consumer Goods	-1.9%	11.0%
FX		
RUB/USD	0.9%	11.1%
RUB/EUR	1.4%	15.1%

Data as of December 20, 2019

TKB Investment Partners (JSC) calculations; Bloomberg

Emerging markets ascend

Russian equity market dynamics

The Russian equity market rose for the second consecutive week in the line with other emerging markets (EM). The RTS index gained 1.9%, while the MSCI EM index rose by 2.0% (all figures in USD terms). Positive sentiment over the phase one deal between the US and China has risen risk appetite among investors. According to EPFR Global, the EM equities saw the highest weekly net inflows over almost two years, amounted to USD 4.8 billion.

The power utilities sector outperformed the broader market, mainly driven by RusHydro, Rosseti, and Inter RAO whose shares rose by 5.9%, 5.6%, and 5.3%, respectively, despite the lack of fundamental news.

The consumer goods sector lagged the wider market, mainly due to M.Video, whose shares lost 14.7% on the news that the interior ministry and the Federal Security Service conducted searches in offices of the company's main shareholder Gutseriyev family. Mr. Gutseriyev later denied the information about the searches.

Main Russian news

Key macroeconomic indicators remained mixed in November. Industrial production slowed due to the sharp slowdown in manufacturing. Meanwhile the extraction accelerated on the back of better production of coal and metals. The acceleration of growth in retail sales showed in both food and non-food segments. Rosstat published real wages for October, which rose to 3.8% YoY vs 3.4% YoY in September.

Indicator	Growth YoY	
	October 2019	November 2019
Industrial production	2.6%	0.3%
Manufacturing	3.7%	0.1%
Extraction	0.9%	1.4%
Retail sales	1.6%	2.3%
Food	1.3%	1.6%
Non-food	2.0%	3.0%
Real wages	3.8%	not available

Russia and Ukraine reached an agreement on gas transit. The current contract expires on December 31, and gas supplies to Europe through Ukraine could be disrupted the next year without the agreement. The new deal will last for five years and guarantees 65 billion cubic meters of Russian gas deliveries via Ukraine next year and 40 billion cubic meters annually from 2021 through 2024. The deal implies the possibility of extending a new transit contract for 2025–2034 under the same conditions. In addition, the parties settled the claims of Ukrainian Naftogaz to Gazprom. According to the agreements, Gazprom will pay the Ukrainian side \$2.9 billion. Naftogaz, in turn, will drop remaining USD 12 billion claim against Gazprom.

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To watch...

There is no significant news to follow this week

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%	-14.3%
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 20 December 2019

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