

Russian Equities Weekly

January 13 – 17, 2020

	Week	YTD
RTS Total return (TR) in USD	1.5%	6.0%
MOEX index TR in RUB		
Composite	2.4%	5.2%
Blue chip	2.1%	4.6%
Small and mid-cap	4.1%	8.2%
MOEX sector indices TR in RUB		
Power Utilities	5.4%	12.3%
Metals & Mining	5.3%	9.0%
Consumer Goods	2.8%	4.6%
Financial Services	2.0%	5.5%
Oil & Gas	0.6%	4.0%
FX		
RUB/USD	-1.0%	0.7%
RUB/EUR	-0.7%	1.4%

Data as of January 17, 2020

TKB Investment Partners (JSC) calculations; Bloomberg

Strong fundamentals attract high inflows

Russian equity market dynamics

Last week, the Russian equity market outperformed the other emerging markets (EM). The RTS index gained 1.5%, while the MSCI EM index rose by 1.1%. Strong fundamentals continue to support the Russian market and attract international investors. Additional optimism came from the announcement of Mikhail Mishustin as prime minister – please see [our recent flash note](#) for more details. According to EPFR Global, Russian equities had their highest weekly net inflow in almost two years. Fund flows into Russian equities amounted to USD 340 million, while inflows into Russia dedicated funds were around USD 200 million.

The power utilities sector outperformed the broader market, mainly driven by RusHydro, FGC UES and Rosseti, whose shares rose by 11.7%, 6.8% and 4.7%, in rouble terms, respectively. RusHydro's shares jumped on unconfirmed news of a possible reorganisation of its Far Eastern assets. The company denied that this is happening and announced that it is preparing an appeal to the Central Bank of Russia to verify whether any share price manipulation is taking place. The performances of Rosseti and its subsidiary FGC UES can be explained by the lasting effects of the companies' new dividend and management policy discussions.

The oil & gas sector lagged the wider market. The worst performer was Novatek, which underperformed despite the lack of any explanatory news.

Main Russian news

The S&P rating agency affirmed Russia's BBB- rating with stable outlook. According to S&P, while the risks of sanctions on Russia remain, the country's strong policy framework should be capable of shielding its economy and financial system. S&P expects that Russia's GDP will increase by a maximum of 1.8% in 2020. The agency noted that the forecast for Russia's economic growth remains below that for other sovereign states rated by the agency that have a comparable level of economic development.

*Author: Marina Tsutskiridze,
Junior Investment Specialist*

To watch...

Rosstat is due to publish industrial production figures for 2019.

Sources: Rosstat, Bloomberg, TKB Investment Partners (JSC); January 2020

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 17 January 2020

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For more information:

TKB Investment Partners (JSC)
69/71, lit. A, Marata Street
Saint Petersburg, 191119, Russia

Tel: +7 812 332 73 32

Fax: +7 812 324 65 57

info@tkbip.ru
www.tkbip.com

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