

Russian Equities Weekly

February 17 – 21, 2020

	Week	YTD
RTS Total return (TR) in USD	-0.7%	-1.3%
MOEX index TR in RUB		
Composite	0.3%	2.3%
Blue chip	0.1%	0.2%
Small and mid-cap	-0.5%	13.5%
MOEX sector indices TR in RUB		
Metals & Mining	2.4%	10.0%
Power Utilities	0.3%	21.1%
Oil & Gas	-0.1%	-3.9%
Consumer Goods	-0.2%	6.5%
Financial Services	-0.4%	6.3%
FX		
RUB/USD	-0.6%	-3.4%
RUB/EUR	-0.7%	0.0%

Data as of February 21, 2020

TKB Investment Partners (JSC) calculations; Bloomberg

Coronavirus continues infecting markets

Russian equity market dynamics

Last week, the Russian equity market declined by less than the other emerging markets (EM). The RTS index contracted by 0.7%, while the MSCI EM index lost 2.0% (all figures in USD terms). In broad terms, many emerging markets, including Russia, continued to be hit by the coronavirus outbreak. The MSCI EM index was affected more severely as it overweighs some sectors that have been hit harder by coronavirus fears. For example, the MSCI EM IT index contracted by 4%, which put pressure on the MSCI EM index, of which 16% is comprised of IT companies, whereas the Russian index has no IT sector.

The metals & mining sector outperformed the broader market, mainly driven by Polymetal and Polyus, whose shares rose by 6.5% and 6.3%, in rouble terms, respectively. Both companies rose on the back of increasing gold prices, as investors turned towards gold as a safe haven asset in the face of coronavirus fears.

The financial sector lagged the wider market. The worst performers were TCS Group and Moscow Exchange, whose share prices fell as a result of a correction after earlier growth.

Main Russian news

Russia's key macroeconomic indicators were mixed in January. The decline in industrial production was due to a slowdown in both the manufacturing and extraction sectors. Retail sales rose in both the food and non-food segments, and hit their highest yearly growth rate since December 2018. Rosstat published real wage growth data for December, which rose to 6.9% YoY vs. 2.7% YoY in November.

Indicator	Growth YoY	
	December 2019	January 2020
Industrial production	1.7%*	1.1%
Manufacturing	4.0%*	3.9%
Extraction	0.5%*	-0.4%
Retail sales	1.9%	2.7%
Food	1.8%	2.9%
Non-food	2.1%	2.5%
Real wages	6.9%	not available

**Data was revised figures from Rosstat*

The Ministry of Economic Development said Russia's GDP growth slowed to 1.6% YoY in January 2020 from 2.3% YoY in December 2019. The main reasons given were sluggish activity in the construction and extraction sectors. The lower levels of oil, natural gas and coal extraction were accompanied by lower freight turnover in the transportation sector.

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To watch...

There is no significant news to follow this week.

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

Quarterly results: actual vs. consensus for EPS

(earnings per share), adjusted, (US dollars) *

Major RTS index constituents	Q1 '19	Q2 '19	Q3 '19	Q4 '19
Lukoil	-9.6%	32.4%	40.1%	-
Gazprom	1.2%	2.3%	15.6%	-
Sberbank	6.4%	0.5%	-	-
Novatek	-	-0.9%	-	-
Tatneft	2.0%	-1.3%	24.3%	-
Magnit	-49.5%	-	-48.5%	-
MTS	21.3%	-7.8%	6.8%	-
Alrosa	14.3%	-9.1%	24.3%	-
Severstal	-1.9%	-11.2%	-11.5%	12.8%
NLMK	238.9%	0.3%	-43.6%	-33.5%
Moscow Exchange	0.0%	12.8%	1.4%	-
Magnitogorsk Iron & Steel	18.2%	-83.2%	-14.3%	-
Phosagro	-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 21 February 2020

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