TKB INVESTMENT PARTNERS

Russian Equities Weekly

April 6–10, 2020

	Week	YTD
RTS Total return (TR) in USD	8.8%	-26.3%
MOEX index TR in RUB		
Composite	4.1%	-12.1%
Blue chip	3.9%	-14.7%
Small and mid-cap	6.0%	-9.0%
MOEX sector indices TR in RUB		
Financial Services	8.6%	-17.3%
Metals & Mining	7.0%	9.6%
Power Utilities	5.4%	-1.9%
Consumer Goods	3.5%	-5.0%
Oil & Gas	1.7%	-19.4%
FX		
RUB/USD	3.8%	-16.1%
RUB/EUR	2.6%	-13.9%

Data as of 10 April 2020
TKB Investment Partners (JSC) calculations; Bloomberg

Gains driven by OPEC+ deal expectations

Russian equity market dynamics

Last week, the Russian equity market outperformed the other emerging markets (EM). The RTS index gained 8.8%, while the MSCI EM index rose by 6.8% (all figures in USD terms). Positive investor sentiment towards Russian equities arose from expectations that OPEC+ was likely by the end of the week to agree on a deal to reduce oil output.

The financial sector outperformed the broader market. The main contributors were VTB Bank and Sberbank, whose shares rose by 14% and 9%, respectively, in rouble terms. These companies' shares outperformed the market despite the lack of fundamental news.

The oil & gas sector was the worst performer overall, mostly due to a correction following the previous week's surge on the back of the rise in oil prices.

Main Russian news

Inflation in Russia accelerated in March. The consumer price index (CPI) rose to 2.5% YoY at the end of March from 2.3% YoY at the end of February. Food inflation rose to 2.2% YoY from 1.8%, while non-food inflation rose to 2.5% YoY vs. 2.3%. Services inflation remained at 3.0% YoY. According to the Central Bank of Russia (CBR), the increase in inflation in March was driven by the rouble weakening and a temporary increase in household demand for non-perishable goods.

The CBR expanded the list of sectors which can apply for government support. According to the regulator, the number of sectors that are experiencing difficulties due to the lockdown measures is increasing. The residential construction sector, the automotive industry, airports and bus stations, household services and leasing providers were added to the list. In total, there are 16 industries recognized as vulnerable by the CBR. Regulatory exemptions and facilitated lending will be applied to these sectors.

On Sunday 12 April, Russia and other OPEC+ countries agreed on a two-year deal to reduce oil production by 9.7 million barrels per day (mbpd) during May-June 2020, tapering to a cut of eight mbpd until the end of the year. At the beginning of 2021, the cut will be decreased to 6 mbpd until the end of April 2022. This should have no material effect on oil industry fair prices as the adverse impact on expected free cash flow from reducing output is likely to be offset by the positive impact from lower capital expenditure.

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To watch...

There is no significant news due this week.

Sources: Vedomosti, Bloomberg, TKB Investment Partners (JSC); April 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%	-1.3%
Gazprom	1.2%	2.3%	15.6%	-
Sberbank	6.4%	0.5%	-	17.1%
Novatek	-	-0.9%	-	-23.4%
Tatneft	2.0%	-1.3%	24.3%	-
Magnit	-49.5%	-	-48.5%	154.4%
MTS	21.3%	-7.8%	6.8%	-12.8%
Alrosa	14.3%	-9.1%	24.3%	12.6%
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%	14.3%
Magnitogorsk Iron & Steel	18.2%	-83.2%	-14.3%	-
Phosagro	-20.9%	22.3%	11.8%	0.1%

* based on Bloomberg consensus

Green	Actual figure is better than consensus by more than 5%
Orange	Actual figure is worse than consensus by more than 5%
Light yellow	The deviation of actual results from consensus is between -5% and +5%

Source: Bloomberg, TKB Investment Partners; data as of 10 April 2020

These companies are mentioned for illustrative purpose only; this is not intended as a solicitation of the purchase of such securities. It does not constitute any investment advice or recommendation.

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