

Russian Equities Weekly

April 20–24, 2020

	Week	YTD
RTS Total return (TR) in USD	0.2%	-30.2%
MOEX index TR in RUB		
Composite	1.1%	-15.9%
Blue chip	1.0%	-18.9%
Small and mid-cap	0.3%	-12.2%
MOEX sector indices TR in RUB		
Metals & Mining	3.2%	10.3%
Oil & Gas	0.7%	-25.4%
Financial Services	0.0%	-18.8%
Consumer Goods	-0.1%	-9.0%
Power Utilities	-0.2%	-5.4%
FX		
RUB/USD	-0.7%	-16.9%
RUB/EUR	-0.3%	-13.9%

Data as of 24 April 2020

TKB Investment Partners (JSC) calculations; Bloomberg

Key rate cut supportive effect

Russian equity market dynamics

Last week, the Russian equity market outperformed the other emerging markets (EM) despite a decline in oil prices by 14%. The RTS index gained 0.2%, while the MSCI EM index lost 2.4% (all figures in USD terms). **The decision by the Central Bank of Russia (CBR) to cut its key rate by 50bp supported the Russian market.**

The metals and mining sector outperformed the broader market. The main contributors were Polymetal and Polyus, whose shares rose by 11.2% and 3.5%, respectively. Both companies benefited from a 3% rise in gold prices.

The power utilities sector was the worst performer overall. The worst performers in the sector were Rosseti and Inter RAO, whose share prices contracted by 3.2% and 1.1%, respectively, despite the lack of fundamental news.

Main Russian news

The CBR cut its key rate by 50bp to 5.5%. The main reason for the cut was weak demand amid restrictive measures introduced to halt the COVID-19 pandemic. The CBR also noted that it had reviewed the baseline forecast scenario and is moving to a more accommodative monetary policy. The regulator held open **the prospect of a further key rate reduction at its next meeting in June.**

According to the new baseline scenario, the CBR forecasts annual inflation at 3.8%-4.8% in 2020 and around 4% in 2021, and **expects GDP to shrink by 4%-6% in 2020 before recovering to grow by 2.8%-4.8% in 2021** and by 1.5%-3.5% in 2022.

Industrial production weakened in March, rising by 0.3%YoY after 3.3% YoY in February. The slowdown was seen in both the manufacturing and extraction sectors. Manufacturing rose by 2.6% YoY vs. 5.0% YoY in February, while extraction activity fell by 1.7% YoY vs. growth in February of 2.3% YoY. **The boom in demand for food and essential products** caused by pandemic fears after the introduction of the first restrictive measures against the spread of coronavirus **helped production to avoid an overall decline in March.** The second and the third week of March, when Russians were most actively preparing for possible quarantine, saw the most activity in terms of retail sales since the beginning of the year (excluding the holiday week in January). **This led to food production increasing by 9.3% YoY in March vs. 7.9% YoY in February.** The negative impact of the lockdown on industrial production is expected to become more apparent in April-May.

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To watch...

Rosstat is due to publish key macroeconomic figures for March and Q1 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

	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 24 April 2020

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