

Russian Equities Weekly

April 27–30, 2020

	Week	YTD
RTS Total return (TR) in USD	4.0%	-27.4%
MOEX index TR in RUB		
Composite	3.5%	-13.0%
Blue chip	3.8%	-15.9%
Small and mid-cap	2.8%	-9.8%
MOEX sector indices TR in RUB		
Consumer Goods	5.3%	-4.2%
Financial Services	4.9%	-14.8%
Oil & Gas	3.4%	-22.8%
Power Utilities	2.9%	-2.7%
Metals & Mining	1.0%	11.3%
FX		
RUB/USD	0.2%	-16.7%
RUB/EUR	-1.0%	-14.8%

Data as of April 30, 2020

TKB Investment Partners (JSC) calculations; Bloomberg

Mixed key macro indicators

Russian equity market dynamics

Last week, the Russian equity market rose by less than the other emerging markets (EM). The RTS index gained 4.0%, while the MSCI EM index increased by 5.2% (all figures in USD terms). The US government's announcement of new measures to support the country's economy had a positive knock-on effect for EMs, including Russia. Further support came from rising Brent crude oil prices. The outperformance of Russian equities the preceding week mitigated the gains last week.

The consumer goods sector outperformed the broader market, mainly due to Magnit, Yandex and Ros Agro, whose share prices rose by 14.8%, 8.8% and 4.1%, respectively, in rouble terms. All three companies reported strong results for Q1 2020. Magnit's retail revenues increased by 17.6% YoY, after 9.2% YoY in Q4 2019. Yandex overshot analysts' consensus on adjusted EBITDA by 7% and provided a positive surprise with its advertising revenues, which rose by 11% YoY. Ros Agro's total revenues grew by 6% YoY on larger sales volumes across all segments except agriculture.

The metals & mining sector was the worst performer overall, mostly due to Mechel and Polymetal. Polymetal contracted on the back of falling gold prices. Mechel underperformed despite the lack of market-moving news.

Main Russian news

Key macroeconomic indicators were mixed in March. Quarantine measures against COVID-19 hit industrial production, with growth rates in the manufacturing segment slowing and a decline in the activity in the extraction segment. On the other hand, retail sales improved in both the food and non-food segments. Rosstat published real wage growth data for February, showing a deceleration to 5.7% YoY from 6.5% YoY in January.

Indicator	Growth YoY	
	February 2020	March 2020
Industrial production	3.3%	0.3%
Manufacturing	5.0%	2.6%
Extraction	2.3%	-1.7%
Retail sales	4.6%*	5.6%
Food	3.7%*	4.7%
Non-food	5.5%*	6.4%
Real wages	5.7%*	not available

*Data updated by Rosstat

The Ministry of Economic Development reported that GDP growth slowed to 0.9% YoY in March from 2.8% YoY in February. While there was some growth in the retail and services sectors, overall **growth was hit by the weakening of the global economy, decreasing commodities prices and the quarantine measures put in place in Russia's trading partner countries.** One of the largest drags on growth was the transport sector. **In the first quarter of 2020, GDP growth was 1.8%.** The Central Bank of Russia expects GDP growth to slow by 4%-6% overall by the end of 2020.

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To watch...

Rosstat is due to publish inflation figures for April 2020.

Sources: Vedomosti, Bloomberg, TKB Investment Partners (JSC); May 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%	18.0%
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 30 April 2020

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