

# Russian Equities Weekly

May 25 – 29, 2020

	Week	YTD
<b>RTS Total return (TR) in USD</b>	2.8%	-20.5%
<b>MSCI EM index TR in USD</b>	2.9%	-15.9%
<b>MOEX index TR in RUB</b>		
Composite	1.1%	-9.3%
Blue chip	1.0%	-12.2%
Small and mid-cap	2.6%	-6.7%
<b>MOEX sector indices TR in RUB</b>		
Power Utilities	5.2%	7.8%
Financial Services	3.5%	-9.6%
Metals & Mining	1.6%	14.3%
Consumer Goods	0.7%	-1.5%
Oil & Gas	-0.5%	-20.0%
<b>FX</b>		
RUB/USD	2.1%	-11.5%
RUB/EUR	0.0%	-11.1%

Data as of May 29, 2020

TKB Investment Partners (JSC) calculations; Bloomberg

## Russian equities rise in line with broader emerging markets

### Russian equity market dynamics

**Last week, the Russian equity market rose in line with the other emerging markets (EM).** The RTS index rose by 2.8%, while the MSCI EM index gained 2.9% (all figures in USD terms). All were supported by news headlines about new COVID-19 vaccine trials and recovering economic activity in the US and Europe.

**The power utilities sector outperformed the broader market,** mainly due to Rosseti and OGC-2, whose share prices rose by 14.1% and 13.2, respectively, in rouble terms. Both companies rose as a result of a correction after prior underperformance.

**The oil and gas sector was the worst performer overall,** mostly due to Novatek and Tatneft, whose shares fell by 4.5% and 2.2%, respectively, in rouble terms. Novatek declined under pressure from falling gas prices. Tatneft declined due to outflows following a decrease of the share's weight in the MSCI Russia index as a result of rebalancing.

## Main Russian news

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**Russia's key macroeconomic indicators weakened in April.** Quarantine measures continued to hit industrial production, with declines in both the extraction and manufacturing segments. Retail sales declined in both the food and non-food segments. Rosstat published real wage growth data for March, showing acceleration to 5.9% YoY from 5.7% YoY in February.

Indicator	Growth YoY	
	March 2020	April 2020
<b>Industrial production</b>	0.3%	-6.6%
Manufacturing	2.6%	-10.0%
Extraction	-1.7%	-3.2%
<b>Retail sales</b>	5.6%	-23.4 %
Food	4.7%	-9.3%
Non-food	6.4%	-36.7%
<b>Real wages</b>	5.9%*	not available

*\*Data updated by Rosstat*

**Fitch rating agency expects Russian GDP to decline by 5% in 2020.** This is the second downgrade of the agency's forecast since the beginning of April. It had earlier expected a contraction of 3.3%, which was a downgrade from the decrease of 1.4% forecast at the beginning of April. While Fitch forecast Russian GDP to fall by 8.1% in Q2 2020, the Ministry of Economic Development believes GDP contracted by 12% in April alone.

**Fitch is forecasting economic growth of 1.7% in Q4 2020 and increased its forecast for Russian economic growth in 2021 to 3%.** The Ministry of Economic Development and the Ministry of Finance expect a 5% decline in GDP in 2020. The Central Bank of Russia expects GDP to fall by 4%-6% in 2020, while the IMF is forecasting a 5.5% decline.

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## To watch...

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Rosstat is due to publish inflation figures for May 2020.

Sources: Rosstat, Vedomosti, Bloomberg, TKB Investment Partners (JSC); June 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 29 May 2020

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