

Russian Equities Weekly

June 8 – 11, 2020

	Week	YTD
RTS Total return (TR) in USD	-3.5%	-19.1%
MSCI EM index TR in USD	-1.5%	-10.7%
MOEX index TR in RUB		
Composite	-1.5%	-8.8%
Blue chip	-1.9%	-11.7%
Small and mid-cap	-1.2%	-3.7%
MOEX sector indices TR in RUB		
Consumer Goods	1.7%	3.5%
Metals & Mining	0.9%	9.6%
Power Utilities	-0.6%	8.9%
Oil & Gas	-1.3%	-17.7%
Financial Services	-2.4%	-8.4%
FX		
RUB/USD	-1.7%	-11.2%
RUB/EUR	-1.6%	-11.8%

Data as of June 12, 2020

TKB Investment Partners (JSC) calculations; Bloomberg

New economic support measures

Russian equity market dynamics

Last week, the Russian equity market contracted by more than the broader emerging markets (EM) index. The RTS index fell by 3.5%, while the MSCI EM index lost 1.5% (all figures in USD terms). Fears regarding a second wave of the coronavirus hit all the emerging markets, including Russia. Brent oil prices falling by 7% put additional pressure on the Russian market.

The consumer goods sector outperformed the broader market, mainly thanks to X5 Group and Magnit, whose share prices rose by 10.3% and 4.1%, respectively, in rouble terms. X5 Group rose after the company's comment about a possible 50% increase in the dividend pay-out for 2020, which implied a 7% dividend yield. The company indicated it expects to achieve high profitability in Q2 2020 on the back of strong sales. Magnit shares advanced following those of X5 Group despite the lack of company-specific news.

The financial services sector was the worst performer overall, mostly due to Sberbank and Moscow Exchange, whose shares declined by 4.9% and 1.9%, respectively, in rouble terms. Both companies underperformed despite the lack of market-moving news. Uncertainty in the markets led to investors choosing less risky securities, which adversely affected the financial sector as a whole.

Main Russian news

President Vladimir Putin approved the law supporting citizens and businesses in connection with the coronavirus pandemic. Measures include increased childcare allowance of up to RUB 6 752 per child for unemployed parents, which is approximately 13% of the national average salary. The initiative will also provide RUB 12 130 to self-employed people, which equates to the national minimum wage level. The allowance for those who became unemployed during maternity leave has increased by 225% to RUB 13 500, or 27% of the national average salary. Small and medium businesses (SMEs) affected by the coronavirus will be able to terminate property leases prematurely without penalties (under certain conditions). SMEs in the catering and hotel sectors will be eligible to receive financial support from the state budget.

At the moment, a three-stage recovery plan for Russia is being developed and is due to be finalised by 19 June. According to Prime Minister Mishustin, **RUB 5 trillion (~USD 71 billion) will be spent in two years following the plan. The government plans to stabilise the economy by the end of 2020 and achieve economic recovery by Q2 2021, with year-on-year GDP growth of at least 2.5% by Q4 2021.**

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To watch...

Rosstat is due to publish industrial production and other key macroeconomic figures for May 2020.

The Central Bank of Russia will hold a monetary policy meeting later this week.

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	Q2 '19	Q3 '19	Q4 '19	Q1 '20
Lukoil	32.4%	40.1%	-1.3%	-
Gazprom	2.3%	15.6%	18.0%	-
Sberbank	0.5%	-	17.1%	-9.4%
Novatek	-0.9%	-	-23.4%	-40.6%
Tatneft	-1.3%	24.3%	-	23.4%
Magnit	-	-48.5%	154.4%	-
MTS	-7.8%	6.8%	-12.8%	64.1%
Alrosa	-9.1%	24.3%	12.6%	-
Severstal	-11.2%	-11.5%	12.8%	-81.6%
NLMK	0.3%	-43.6%	-33.5%	46.4%
Moscow Exchange	12.8%	1.4%	14.3%	9.7%
Magnitogorsk Iron & Steel	-83.2%	-14.3%	-	-87.9%
Phosagro	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 12 June 2020

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