

Russian Equities Weekly

July 13–17, 2020

	Week	YTD
RTS Total return (TR) in USD	-1.2%	-18.5%
MSCI EM index TR in USD	-1.2%	-3.8%
MOEX index TR in RUB		
Composite	0.3%	-5.4%
Blue chip	0.0%	-8.5%
Small and mid-cap	1.1%	0.2%
MOEX sector indices TR in RUB		
Consumer Goods	2.5%	15.9%
Financial Services	2.1%	0.9%
Metals & Mining	-0.1%	14.0%
Power Utilities	-0.5%	12.5%
Oil & Gas	-0.6%	-18.6%
FX		
RUB/USD	-1.6%	-13.7%
RUB/EUR	-2.4%	-15.3%

Data as of 17 July 2020

TKB Investment Partners (JSC) calculations; Bloomberg

Macroeconomic indicators show signs of recovery

Russian equity market dynamics

Last week, the Russian equity market declined in line with the broader emerging markets (EM) index. Both the RTS index and the MSCI EM index lost 1.2% (in USD terms). The escalation in tensions between the US and China had a negative effect on markets. On Tuesday, Donald Trump signed into law the act that strips Hong Kong of its special trading status with the US amid a new security law imposed by Beijing. Additional pressure came from concerns over the increasing number of COVID-19 cases in the US, which reached record high on Friday – over 75 000 new infections versus 60 000 cases the previous week.

The consumer goods sector outperformed the broader market, mainly thanks to Yandex and Detsky Mir, whose share prices rose by 8.7% and 5.4%, respectively. Yandex continues to rally in anticipation of its inclusion the MSCI Russia index in August. Detsky Mir reported strong operational figures for Q2 2020. Its revenues rose by 2.9% YoY, which was higher than market expectations.

The oil and gas sector was the worst performer overall, mostly due to Lukoil, Surgutneftegas and Tatneft, whose shares declined by 3.0%, 2.8% and 2.1%, respectively. The companies' shares contracted on the back of the OPEC+ agreement to gradually taper the reduction of oil production.

Main Russian news

Russia's key macroeconomic indicators improved in June. A gradual lifting of quarantine measures supported industrial production in the manufacturing segment, which still contracted on an annualised basis but by less than in May. Extraction activities were hit by the OPEC+ agreement to reduce oil production, which entered into force on 1 May. Retail sales saw some improvement in both the food and non-food segments due to the easing of lockdown rules. Rosstat published real wage growth data for May, showing an increase of 1.0% YoY.

Indicator	Growth YoY	
	May 2020	June 2020
Industrial production	-9.6%	-9.4%
Manufacturing	-7.2%	-6.4%
Extraction	-13.5%	-14.2%
Retail sales	-19.2 %	-7.7 %
Food	-8.6%*	-3.7%
Non-food	-29.2%	-11.3%
Real wages	1.0%*	not available

**Data updated by Rosstat*

Russia and OPEC members agreed to increase oil production with effect from August. At its last meeting on 15 July, the group agreed to taper down its crude production cut from 9.7 million barrels per day (mbpd) to 7.7 mbpd between August 2020 and January 2021. The decision came amid anticipation of growth in jet fuel consumption and rising domestic demand in producing countries. In practice, this easing will likely be implemented more slowly as countries that overstepped their production commitment agreed to offset this by producing less oil in August and September. At the beginning of 2021, the production cut will be eased further to 6 mbpd until the end of April 2022.

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To watch...

The Central Bank of Russia is due to hold its next monetary policy meeting this week.

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%	-12.5%
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%	-33.6%

* 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 17 July 2020

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