

Russian Equities Weekly

August 3–7, 2020

| | Week | YTD |
|--------------------------------------|-------|--------|
| RTS Total return TR in USD | 3.0% | -14.8% |
| MSCI EM index TR in USD | 1.0% | -0.5% |
| MOEX index TR in RUB | | |
| Composite | 2.1% | 1.3% |
| Blue chip | 2.3% | -2.0% |
| Small and mid-cap | 1.6% | 7.3% |
| MOEX sector indices TR in RUB | | |
| Metals & Mining | 3.3% | 33.0% |
| Financial Services | 2.2% | 11.4% |
| Consumer Goods | 1.8% | 27.3% |
| Oil & Gas | 1.1% | -17.5% |
| Power Utilities | -0.6% | 16.2% |
| FX | | |
| RUB/USD | 0.6% | -15.8% |
| RUB/EUR | 0.9% | -19.4% |

Data as of 7 August 2020

TKB Investment Partners (JSC) calculations; Bloomberg

Russian inflation accelerates in July

Russian equity market dynamics

Last week, the Russian equity market outperformed the broader emerging markets (EM) index. The RTS index rose by 3.0%, while the MSCI EM index gained 1.0% (in USD terms). Promises of additional stimulus measures in the US supported markets and improved investors' risk appetite. Broader EM share price growth was limited by heightened US-China tensions. On Thursday, Donald Trump signed an order banning US companies from undertaking transactions with Chinese companies ByteDance and Tencent, which own the popular social network TikTok and the WeChat messenger app.

The metals and mining sector outperformed the broader Russian market, mainly thanks to Polyus, Polymetal, and Norilsk Nickel, whose share prices rose by 6.6%, 4.2%, and 4.0%, respectively. Polyus and Polymetal continued to rally on the back of higher gold prices. Norilsk Nickel rose amid rising palladium and platinum prices.

The power utilities sector was the worst performer, mostly due to Inter RAO, Mosenergo, and RusHydro, whose share value fell by 3.0%, 1.6% and 1.4% on the back of profit-taking.

Main Russian news

Inflation in Russia accelerated in July. The consumer price index (CPI) rose to 3.4% YoY at the end of July from 3.2% YoY at the end of June. Food inflation rose to 4.2% YoY from 3.9%, while non-food inflation rose to 3.1% YoY vs. 3.0%. The July inflation figures were within the Central Bank of Russia's forecast range of 3.7%-4.2% by the end of 2020. Based on this, the regulator will assess the possibility of any further key rate cuts at its next meetings.

The number of private investors on the Moscow Exchange reached 5.7 million at the end of July. During the month almost 300 000 private brokerage accounts were registered. Since the beginning of 2020, the number of new accounts has reached 1.8 million. In July, the Moscow Exchange recorded a record level of activity by private investors - **the total volume of equity market transactions made by private investors amounted to RUB 1.2 trillion (~USD 16.3 billion).** The sharp increase can be explained by the reduced attractiveness of deposit accounts in banks due to the CBR's key rate cuts. In July, the CBR lowered its key rate to 4.25% and held open the prospect of a further reduction this year. According to the Moscow Exchange, **the number of private brokerage accounts could reach seven million by the end of this year.**

The rising number of private investors in the Russian equity market may become a new supporting force for stocks.

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To watch...

Rosstat is due to publish the first GDP estimate for Q2 2020.

Sources: Rosstat, Vedomosti, Bloomberg, TKB Investment Partners (JSC); August 2020

Quarterly results: actual vs. consensus for EPS

(Earnings per share, adjusted, in US dollar) *

| Major RTS index constituents | Q3 '19 | Q4 '19 | Q1 '20 | Q2 '20 |
|------------------------------------|--------|--------|--------|--------|
| Lukoil | 40.1% | -1.3% | - | - |
| Gazprom | 15.6% | 18.0% | - | - |
| Sberbank | - | 17.1% | -9.4% | 21.8% |
| Novatek | - | -23.4% | -40.6% | -0.8% |
| Tatneft | 24.3% | - | 23.4% | - |
| Magnit | -48.5% | 154.4% | -12.5% | 25.1% |
| MTS | 6.8% | -12.8% | 64.1% | - |
| Alosa | 24.3% | 12.6% | - | - |
| Severstal | -11.5% | 12.8% | -81.6% | 57.9% |
| NLMK | -43.6% | -33.5% | 46.4% | -66.4% |
| Moscow Exchange | 1.4% | 14.3% | 9.7% | - |
| Magnitogorsk Iron & Steel | -14.3% | - | -87.9% | - |
| Phosagro | 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 7 August 2020

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