

# Russian Equities Weekly

## November 5–9, 2018

|                                      | Week  | YTD    |
|--------------------------------------|-------|--------|
| <b>RTS Total return (TR) in USD</b>  | -1.2% | 2.4%   |
| <b>MOEX index TR in RUB</b>          |       |        |
| Composite                            | 1.1%  | 20.1%  |
| Blue chip                            | 1.1%  | 24.2%  |
| Small and mid-cap                    | -1.0% | -14.0% |
| <b>MOEX sector indices TR in RUB</b> |       |        |
| Metals & Mining                      | 1.9%  | 16.1%  |
| Financial Services                   | 1.4%  | -10.7% |
| Oil & Gas                            | 1.0%  | 45.0%  |
| Power Utilities                      | 0.4%  | -3.6%  |
| Consumer Goods                       | -1.0% | -12.0% |
| <b>FX</b>                            |       |        |
| RUB/USD                              | -2.7% | -15.1% |
| RUB/EUR                              | -2.3% | -9.7%  |

Data as of November 9, 2018  
TKB Investment Partners (JSC) calculations; Bloomberg

## Russian equities were better than EM

### Russian equity market dynamics

**Russian equities fell last week on the back of the drop in broader emerging markets and oil prices.** The MSCI Emerging Market index fell by 2% in US dollar terms, mainly due to the US Federal Reserve indicating that it may raise interest rates again in December. Additionally, lower oil prices exacerbated negative investment sentiment towards Russia. Brent crude fell by 4.5% in US dollar terms over the week, closing at below USD 70 per barrel on Friday. Finally, the US Office of Foreign Assets Control (OFAC) extended its sanction list of Russian individuals and companies.

**The Russian equity market outperformed its EM peers despite falling oil prices and the US announcing new sanctions.** The MSCI Russia index fell by only 0.7% in US dollar terms over the week. The outperformance of other EM equities was likely due to the prevalence of strong fundamentals, as Russian companies continued to publish healthy financial results.

**The metals and mining sector outperformed other sectors.** Rusal, Polyus and Alrosa were the top performers: their stocks rose by 5.5%, 4.1% and 2.4%, respectively, in rouble terms. **Rusal rose thanks to the US OFAC** deciding to extend the deadline for sanctions to come into effect against the company. Rusal's trading partners have to stop their business with Rusal until 7 January 2019 instead of 12 December 2018. This was the fifth time the deadline had been postponed. **Alrosa and Polyus additionally benefited from their strong results** for the third quarter of 2018.

**The consumer staples sector lagged the market.** Yandex and M. Video underperformed: their stocks fell by 3.7% and 2.5%, respectively, in rouble terms. There were no particular stock-moving news.

## Main Russian news

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**The US extended its list of sanctions on 8 November.** The decision was related to the situation in Ukraine and annexation of Crimea. Three individuals and nine private organisations were added to the US Office of Foreign Assets Control's sanction list, four of the organisations being health resorts in Crimea. The US State Department also announced that it has been considering a second round of sanctions on the back of the Scripal poisoning case. Although it is first seeking additional consultation with the US Congress.

**Inflation was almost flat in October compared to the figure in September: 3.5% YoY vs. 3.4% YoY.** A good harvest helped to hold back inflation: fruit and vegetables prices contracted by 0.5% YoY compared to September's growth of 3.4% YoY. However, apart from harvest products, food price growth accelerated to 3.1% YoY from 2.5% YoY the previous month. Services price growth also accelerated slightly, to 4% YoY from 3.8% YoY in September. Prices for non-food items remained stable at around 4% YoY.

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## To watch...

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Rusagro, Unipro and Inter RAO are due to publish financial results for Q3 2018.

Sources: Vedomosti, Interfax, TKB Investment Partners (JSC); November 2018

**Quarterly results: Actual vs. consensus for EPS, adjusted (US dollars) \***

| Major RTS index constituents | Q1 '18 | Q2 '18 | Q3 '18 |
|------------------------------|--------|--------|--------|
| Lukoil                       | 9%     | 1%     |        |
| Gazprom                      | 9%     | -12.3% |        |
| Sberbank                     | 12%    | -4%    | 4.5%   |
| Novatek                      | 13%    | 6%     | 20.5%  |
| Tatneft                      | 8%     | 33.7%  |        |
| Magnit                       | -12%   | -19%   |        |
| MTS                          | -8%    | -8%    |        |
| VTB                          | 170%   | 7%     |        |
| Arosa                        | 64%    | 13%    | -10.9% |
| Severstal                    | -14%   | 14%    | 0.0%   |
| NLMK                         | -4%    | 14%    | 12.3%  |
| Moscow Exchange              | -7%    | -8%    | 4.2%   |
| Inter RAO                    | 53%    | 52%    |        |
| Magnitogorsk Iron & Steel    | -22%   | 6%     | 0.0%   |
| Phosagro                     | -31%   | -45%   |        |

\* 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 November 2, 2018

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