

REVIEW OF STOCK MARKETS

Before the opening of trading on Tuesday 14 January some moderately positive external background formed on the Russian market. On Monday the US indices DJIA and S&P500 rose by 0.3-0.7%, on Tuesday the composite index of the Asia-Pacific region MSCI Asia Pacific added 0.2%. Investors were optimistic about the fact that the US Treasury Department excluded China from the list of currency manipulators – according to the agency's report, Beijing took "obligations to refrain from competitive devaluation" as part of the first phase of the trade deal, and also agreed to release data on the exchange rate and balance of payments. According to media reports, Washington ranked China as a currency manipulator in August 2019, when the yuan fell to a minimum in more than ten years. Additional support for investors in the Asian session was provided by good Chinese statistics on foreign trade in December: exports grew after a decline for four consecutive months, import growth accelerated significantly. In addition, statistics recorded an increase in US imports, mainly due to agricultural products, the increase in purchases of which by Beijing is declared by Donald Trump as one of the main goals of the trade agreement with China. March Brent futures were trading around \$64.3 per barrel, \$0.1 below our close on 13 January.

On Tuesday, sellers dominated the Russian market, with daily lows the losses of the MOEX Russia Index were 0.8%. The reason for profit taking was moderately negative sentiment on western markets, where the main indices lost on average within a third of a percent in anticipation of signing an agreement on the first phase of the US-China trade deal. According to experts, the positive background of this event has already been mainly taken into account in prices, while the possible disclosure of the details of the agreement may bring various surprises. The ambiguous statements of the largest American banks Citibank, JPMorgan and Wells Fargo did not significantly affect the changes of trading. In general, writes CNBC, the market participants' expectations regarding the reporting season are rather low – experts of FactSet and Refinitiv predict a decrease in earnings per share of companies from the S&P500 Index on average within 2%. However, a number of analysts believe that real results may turn out to be better than pessimistic estimates, which have already been observed for 31 consecutive quarters.

During the day, the electric utilities sector index looked much better than the market. The main contribution to the final MOEXEU growth in antiphase with the MOEX Russia Index was made by RusHydro's shares, soaring 13% at record speeds. The rally in these papers was triggered by Kommersant's information that the government could raise a topic with the transformation of RAO ES of the East, managing the generation of the Far East, from a subsidiary of RusHydro to its parent company. According to analysts, the adoption of such a scheme is positive for minority shareholders of the company. In particular, VTB Capital believes that this will increase RusHydro's dividends to 50-70 billion from 15.9 billion rubles in 2018, while the price of the company's shares, which for the past ten years were considered one of the weakest securities on the market, will rise sharply.

ELECTRIC POWER INDUSTRY NEWS

Mr. Lisin and Mr. Dyukov oppose the idea of the Ministry of Energy to pay for reserve power

The owner of NLMK Vladimir Lisin and the head of Gazprom Neft Alexander Dyukov intend to oppose the idea of the Ministry of Energy to introduce a fee for business for unused energy capacities. Industrial costs could rise by ₽100 billion because of this.

Read full text: <https://www.rbc.ru/business/15/01/2020>

Five reasons for the recommendation to "buy" on shares of the electric power industry

At the beginning of the new year, we are trying to answer one question: is it possible to give a Buy recommendation on shares of Russian electricity companies in 2020? A general analysis of issuers and market sentiment gives a simple answer - yes. In the Russian stock market, the sector's companies are characterized by relatively high profitability, good growth rates, low debt burden, significant free cash flows, undervaluation and generous dividends.

Read full text: <https://1prime.ru/experts/20200113/830782720.html>

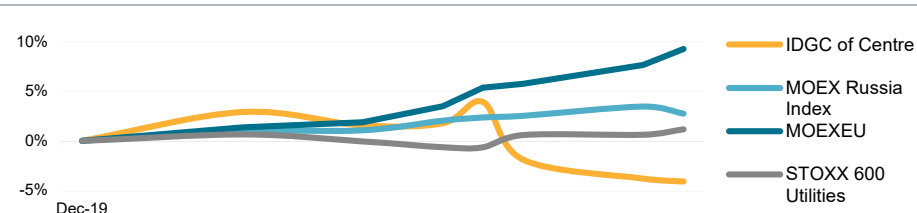
COMPANY NEWS

Belgorodenergo completed a project to reconstruct the 110 kV "Promyshlennaya" substation in Stary Oskol

Rosseti Centre Belgorodenergo (a branch of IDGC of Centre - Belgorodenergo) completed the modernization and technical re-equipment of the 110 kV "Promyshlennaya" substation in Stary Oskol.

Read full text: <https://www.mrsk-1.ru/press-center/news/branches/71140/>

CHANGES OF KEY INDEXES AND SHARES OF THE COMPANY



World indexes	Value	Change	
		per day	fr 31.12.19
MOEX Russia	3 129,77	-0,70%	2,75%
S&P 500	3 284,22	-0,12%	1,65%
FTSE 100	7 621,79	0,06%	1,05%
Nikkei	24 025,17	0,73%	1,56%
Sensex	41 952,63	0,22%	1,69%
CSI300	4 189,89	-0,34%	2,28%
Bovespa	117 130,8	-0,17%	1,28%

Source: Company calculations (19:00 MSK)

Currency rates	Value	Change	
		per day	fr 31.12.19
USD/RUB	60,9474	-0,52%	-1,55%
EURO/RUB	67,8162	-0,34%	-2,20%

Source: Company calculations (19:00 MSK)

Liquidity	IDGC of Centre	IDGC of Centre & Volga Region
	Number of transactions, pcs.	2 979
Trading volume, ₽ mln	46,7	56,2
Trading volume, mln pcs.	154,7	238,2
Average trading volume over the last 30 days, mln pcs.	62,5	287,4
% of the authorized capital	0,37%	0,21%

Source: Company calculations

Shares	Price**, ₽	MCap**, ₽ bln	MCap**, \$ mln
IDGC of Centre	0,304	12,83	210,58
IDGC of Centre & Volga Reg	0,2368	26,69	437,87

Source: Central Bank of Russia, Company calculations

Comparison with indexes	Change	
	per day	fr 31.12.19
STOXX 600 Utilities	0,43%	1,17%
MOEXEU	1,51%	9,29%
IDGC of Centre**	-0,33%	-4,10%
IDGC of Centre & Volga Region**	2,02%	-0,92%

Source: Company calculations

Grid companies	Change**	
	per day	fr 31.12.19
Rosseti, ordinary shares	-1,25%	7,15%
FGC UES	0,37%	3,05%
IDGC of Volga	0,76%	-3,04%
MOESK	-3,59%	0,29%
IDGC of Northern Caucasus	-0,47%	-1,27%
IDGC of North-West	0,37%	0,65%
IDGC of Urals	0,83%	3,27%
IDGC of Siberia	1,48%	-11,00%
IDGC of South	0,66%	-1,53%
Lenenergo, ordinary shares	-2,88%	0,71%
TRK, ordinary shares	1,47%	-3,49%
Kubanenergo	-0,91%	2,99%

Source: MOEX, Company calculations

** - at the price of last transaction at MOEX

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Tickers

Moscow Exchange (MOEX)
Bloomberg
Reuters

MRKC
MRKC.RM
MRKC.MM