

REVIEW OF STOCK MARKETS

Before the opening of trading on Tuesday 13 August some negative external background formed on the Russian market. On Monday the US indices DJIA and S&P500 fell 1.2-1.5%, on Tuesday the composite index of the Asia-Pacific region MSCI Asia Pacific lost 1.2%. The stalemate in the US-China trade negotiations, coupled with a combination of political crises around the world, has triggered increased investors' flight from risky assets. The aggravation of the political situation in Hong Kong, of which Beijing periodically accuses Washington, according to analysts, could lead to a deterioration in relations between the US and China, which will affect the prospects for a trade deal. The victory in the primaries in Argentina of a populist candidate sharply raised fears of a reversal of the country's economic course, as a result of which the stock market collapsed by almost 40%, the peso by 17%, the probability of default of Argentina exceeded 70%. In Europe, besides Brexit, investors are worried about the political crisis in Italy, which is on the verge of early parliamentary elections. October Brent futures traded around \$58.2 per barrel, \$0.4 below our close on 12 August. The oil prices declined as part of the global risk-off.

On Tuesday morning, pessimistic sentiment reigned in global stock markets – the loss of the MOEX Russia Index, the European Stoxx Europe 600 Index and the index of emerging markets MSCI EM averaged about a percent. Amid growing global political risks, investors were actively shifting to defensive assets – gold prices exceeded \$1,530 per ounce, German bond yields updated lows in the negative zone, the yen and the Swiss franc rose. In the afternoon, the situation in the financial markets changed dramatically after the media reported that the US was postponing the introduction of 10% duties on certain categories of Chinese goods until 15 December. The Japanese yen fell 1.5% against the dollar, the price of gold fell below \$1,500 per ounce, the MSCI All Country World Index jumped 1.5% from daily lows, Brent quotes – by 4%, to around \$61 per barrel. The reaction of our market to this piece of news was less pronounced – the MOEX Russia Index, having recovered most of the losses, closed trading by a decrease of 0.4%.

The main contribution to the MOEXEU decline was made by shares of Rosseti. The pressure on these securities could come from Kommersant's information that the Ministry of Economic Development sent a negative assessment of the socio-economic consequences of introducing payment for the reserve of electric grid capacity and differentiating FGC UES's tariff to the government. The letter of the Ministry of Economic Development was prepared as part of the commission of First Deputy Prime Minister to assess the impact of these reforms on the growth of the Russian economy. "... we believe that these discussions will negatively affect the perception of grid companies by investors," commented the news in Sberbank.

ELECTRIC POWER INDUSTRY NEWS

Rates are disconnected from increase

Industry and big business got a chance to avoid raising electricity transmission tariffs. The debate over the tariff reform, which threatens industry with additional costs estimated at 369 billion rubles, was joined by First Deputy Prime Minister Anton Siluanov. As follows from the assessment of the Ministry of Economic Development developed on his behalf, the tariff differentiation of Federal Grid Company (FGC UES) and payment for the capacity reserve, which the Ministry of Energy and Rosseti insist on, will negatively affect the country's economy – under the most pessimistic scenario, the total losses could reach 686 billion rubles.

Read full text: https://www.kommersant.ru/doc/4059784?from=main_1

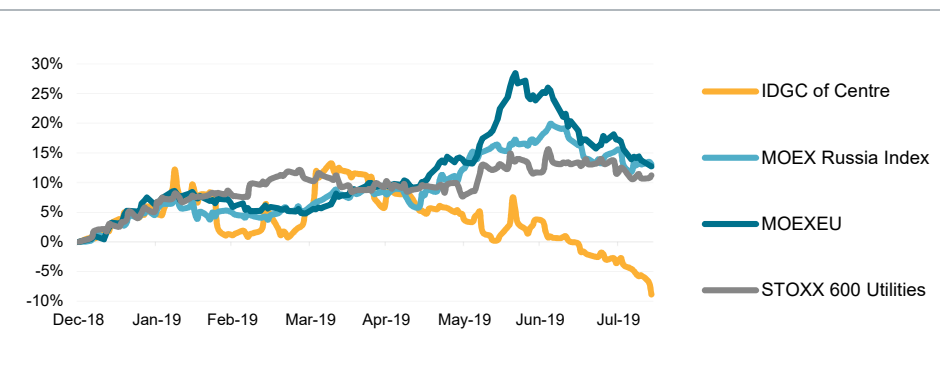
COMPANY NEWS

Rosseti Centre and Rosseti Centre and Volga Region carry out their repair program ahead of schedule

Rosseti Centre and Rosseti Centre and Volga Region summed up the implementation of the repair program in the first half of the year. The companies carry out a number of key activities of the document ahead of schedule. During the indicated period, 6,922 transformer substations with a voltage of 0.4/6-10 kV and more than 26,996 thousand km of overhead and cable power lines of 0.4-110 kV were repaired, which is 105% and 105% of the plan on an accrual basis, respectively.

Read full text: <https://www.mrsk-1.ru/press-center/news/company/69284/>

DYNAMICS OF KEY INDEXES AND SHARES OF THE COMPANY



World indexes	Value	Change	
		per day	fr 31.12.18
MOEX Russia	2680,12	-0,36%	13,12%
S&P 500	2928,87	1,59%	16,83%
FTSE 100	7250,9	0,33%	7,77%
DAX	11750,13	0,60%	11,28%
DJStoxx 600	372,4	0,54%	10,29%
Nikkei	20455,44	-1,11%	2,20%
Sensex	36958,16	-1,66%	2,47%
CSI300	3665,75	-0,90%	21,76%
Bovespa	103476,7	1,53%	17,74%

Source: Bloomberg, Company calculations (19:00 MSK)

Currency rates	Value	Change	
		per day	fr 31.12.18
USD/RUB	65,4267	0,27%	-5,62%
EURO/RUB	73,1231	0,14%	-7,98%

Source: Bloomberg, Company calculations (19:00 MSK)

Raw	Value	Change	
		per day	fr 31.12.18
Gold, USD/oz	1503,45	-0,51%	17,23%
Brent*, USD/bbl	61,33	4,71%	14,00%

* - October futures

Source: Bloomberg, Company calculations (19:00 MSK)

Shares	Price**, ₽	MCap**, ₽ bln	MCap**, \$ mln
IDGC of Centre	0,2606	11,00	168,15
IDGC of Centre & Volga Reg	0,2445	27,55	421,14

Source: Central Bank of Russia, Company calculations

Comparison with indexes	Change	
	per day	fr 31.12.18
STOXX 600 Utilities	0,40%	11,24%
MOEXEU	-0,19%	12,75%
IDGC of Centre**	-2,18%	-8,88%
IDGC of Centre and Volga Region**	-0,81%	-7,74%

Source: Bloomberg, Company calculations

Grid companies	Change**	
	per day	fr 31.12.18
Rosseti, ordinary shares	-2,57%	36,94%
FGC UES	0,30%	19,15%
IDGC of Volga	0,00%	-5,36%
MOESK	0,07%	13,26%
IDGC of Northern Caucasus	-0,87%	143,14%
IDGC of North-West	-2,22%	10,99%
IDGC of Urals	-1,35%	-4,88%
IDGC of Siberia	4,44%	143,41%
IDGC of South	-2,16%	7,99%
Lenenergo, ordinary shares	-0,70%	7,94%
TRK, ordinary shares	-2,33%	-4,87%
Kubanenergo	0,00%	24,80%

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