

REVIEW OF STOCK MARKETS

Before the opening of trading on Tuesday 23 July some moderately positive external background formed on the Russian market. On Monday the US indices DJIA and S&P500 rose within 0.3%, on Tuesday the composite index of the Asia-Pacific region MSCI Asia Pacific added 0.3%. The market was supported by news of some progress in the US-China trade negotiations. Firstly, after meeting with the heads of the largest IT companies, Donald Trump promised to make prompt decisions regarding the issuance of licenses to work with the Chinese company Huawei to American companies. Secondly, the Chinese media reported a high likelihood of holding a new round of trade negotiations next week. September Brent futures traded around \$63.6 per barrel, \$0.2 higher than our 22 July close. Oil prices rose due to the continuing growth of tension in the Middle East – in response to the seizure of a British tanker by Iran, London declared its readiness to increase its military presence in the Strait of Hormuz.

On Tuesday, moderately positive sentiment prevailed on the Russian market – the MOEX Russia Index was trading at half a percent plus on average during the day. Our market was supported by growth of western markets, where the main driver of recovery is still expectations of easing of monetary policy by the world's leading central banks. According to the Chicago Stock Exchange, a week before the Fed meeting, traders estimate the likelihood of a reduction in the key rate by 0.25 and 0.5 percentage points at the level of 77% and 23%, respectively. There are growing hopes for an early easing of the ECB's monetary policy. According to Bloomberg, investors believe that already at a meeting on 25 July, representatives of the regulator will give a signal of readiness to lower interest rates and in the future to expand economic stimulus measures. At the same time, some economists predict an immediate easing of the ECB's policy to deal with the effects of trade conflicts and weak inflation in the Eurozone – the likelihood of this, according to Reuters, has reached almost 50%. Against this background, the growth of the European Stoxx Europe 600 Index exceeded a percent, including due to the weakening of the euro against the dollar. In addition, analysts believe that the election of Boris Johnson as British Prime Minister, known for his tough position on Brexit, increases the chances for the implementation of incentive programs by the Bank of England to support the country's economy in the event of its withdrawal from the European Union without an agreement.

During the day, the electric utilities sector index looked slightly worse than the market. The main contribution to the MOEXEU underperformance in comparison with the MOEX Russia Index was made by shares of FGC UES and Rosseti. From the news of the grid segment, one can note the information of Vedomosti that First Deputy Prime Minister Anton Siluanov instructed the ministries to assess the possible consequences of the introduction of fees for grid capacity reserves and differentiated tariffs for the transmission of electricity through the transmission and distribution grids. In addition, the S&P rating agency reported on the improvement of long-term credit ratings of IDGC of Centre and MOESK to "BB +" from "BB", the outlook for the change in ratings is "Stable". As stated in the press release, the ratings increase reflects the expectations of the agency's experts that the companies will maintain strong operating performance thanks to the annual indexation of tariffs for their services and cost-cutting measures.

ELECTRIC POWER INDUSTRY NEWS

Mr. Siluanov instructed to assess the impact of the reform in the electric power industry

First Deputy Prime Minister, Minister of Finance Anton Siluanov instructed the ministries to assess the possible consequences of the introduction of fees for the power reserve and differentiated tariffs for the transmission of electricity through the backbone and distribution grids. The letter was sent to the FAS, the Ministry of Economic Development, the Ministry of Energy, the Ministry of Finance, the Ministry of Construction and the Ministry of Industry and Trade on 12 July. Vedomosti read a copy of the letter, the representative of the Ministry of Finance confirmed its accuracy.

Read full text: <https://www.vedomosti.ru/business/articles/2019/07/22/807025-posledstviya-reformi>

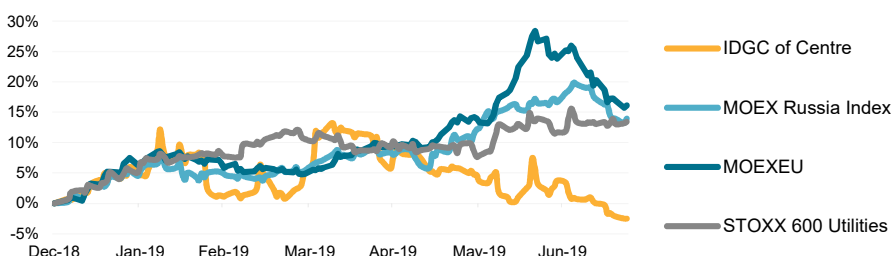
COMPANY NEWS

The rating agency Standard & Poor's raised the long-term credit rating of Rosseti Centre

On 22 July 2019, the international rating agency Standard & Poor's raised the long-term credit rating of IDGC of Centre, PJSC (since June 2019, operating under the brand "Rosseti Centre") from BB to BB+ on the international scale with the Stable outlook.

Read full text: <https://www.mrsk-1.ru/press-center/news/company/69100/>

DYNAMICS OF KEY INDEXES AND SHARES OF THE COMPANY



World indexes	Value	Change	
		per day	fr 31.12.18
MOEX Russia	2 701,06	0,63%	14,00%
S&P 500	3 005,47	0,68%	19,89%
FTSE 100	7 556,86	0,56%	12,32%
DAX	12 490,74	1,64%	18,30%
DJStoxx 600	391,54	0,98%	15,96%
Nikkei	21 620,88	0,95%	8,02%
Sensex	37 982,74	-0,13%	5,31%
CSI300	3 789,91	0,22%	25,88%
Bovespa	103 704,30	-0,24%	18,00%

Source: Bloomberg, Company calculations

Currency rates	Value	Change	
		per day	fr 31.12.18
USD/RUB	62,98	0,18%	-9,35%
EURO/RUB	70,65	-0,20%	-11,08%

Source: Bloomberg, Company calculations

Raw	Value	Change	
		per day	fr 31.12.18
Gold, USD/oz	1 417,83	-0,49%	10,55%
Brent*, USD/bbl	63,83	0,90%	18,64%

* - September futures

Source: Bloomberg, Company calculations

Shares	Price**, ₺	MCap**, ₺ bln	MCap**, \$ mln
IDGC of Centre & Volga Reg	0,2641	29,76	472,60

Source: Central Bank of Russia, Company calculations

Comparison with indexes	Change	
	per day	fr 31.12.18
STOXX 600 Utilities	0,23%	13,50%
MOEXEU	0,35%	16,21%
IDGC of Centre**	0,00%	-2,52%
IDGC of Centre and Volga Region**	0,04%	-0,34%

Source: Bloomberg, Company calculations

Grid companies	Change**	
	per day	fr 31.12.18
Rosseti, ordinary shares	-1,08%	51,91%
FGC UES	-0,95%	21,32%
IDGC of Volga	0,21%	-3,78%
MOESK	1,24%	11,06%
IDGC of Northern Caucasus	0,38%	127,29%
IDGC of North-West	0,47%	14,95%
IDGC of Urals	0,11%	-1,08%
IDGC of Siberia	0,25%	173,56%
IDGC of South	0,23%	19,28%
Lenenergo, ordinary shares	-0,53%	6,43%
TRK, ordinary shares	-2,30%	-3,25%
Kubanenergo	-0,49%	24,39%

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