



REVIEW OF STOCK MARKETS

Before the opening of trading on Tuesday 02 October some moderately positive external background formed on the Russian market. On Monday the US indices DJIA and S&P500 closed with an increase of 0.4-0.7% on news that Canada had joined the concluded US-Mexico trade agreement. As noted in Capital Economics, the most significant change incorporated in the new agreement is a new name. Nevertheless, experts state, this deal is another evidence that Donald Trump is able to move away from harsh rhetoric in exchange for even relatively small concessions that allow him to declare victory in the negotiations. However, experts believe, the US can show flexibility in all trade disputes, except for the most important thing – with China. On Tuesday the composite stock index of the Asia-Pacific region, MSCI Asia Pacific, lost 0.3% with multidirectional changes of the main country indices. The markets of mainland China will be closed all week due to the celebration of the National Day of the People's Republic of China. December Brent futures traded around \$85.2 a barrel, \$0.8 above our 01 October close. As Bloomberg writes, such a rise in prices in the absence of any important statistical data or currency fluctuations is mainly due to traders' concerns about a shortage of fuel in the market that could be triggered by the US sanctions against Iran, Venezuela problems and a slowdown in production growth in the US.

Profit taking continues in the Russian market. The MOEX Russia Index spent the first half of the trading session in a small minus mainly within half a percent following the decline in Brent quotes to \$84.5 per barrel and a deterioration in sentiment of Western investors. The European Stoxx Europe 600 Index lost more than 0.5% on renewed concerns about Italy's state budget. According to media reports, the Italian government intends to maintain a deficit of government spending next year at 2.4% of the GDP, despite criticism from other Eurozone's countries. In the afternoon, the activity of sellers on the Russian market increased, despite the start of trading in the US in the positive area and the return of Brent quotes above \$85 a barrel.

During the trading session the MicexPWR Sector Index looked significantly better than the market, mainly due to the rise in shares of power grid companies led by Rosseti. The grid segment was supported by speculative growth in dividend expectations, triggered by Kommersant's information that Rosseti is planning an additional share issue, in which the state's share may decline from 88.04% to 75% plus one share. The company, in particular, expects to increase free-float and return to the indices of the Moscow Exchange, a source of Kommersant in the market said. Experts believe that participation of market players in an additional issue is possible only when the market price is higher than the nominal, and analysts believe this can be achieved quite quickly by a substantial increase in dividends.

ELECTRIC POWER INDUSTRY NEWS

"Rosseti" needs minority shareholders

According to Kommersant's information, "Rosseti" decided to start the procedure for preparing for an additional issue, the purpose of which is to reduce the state's share in the company from 88.04% to 75% plus one share. The placement of shares may begin at the end of 2019, but the main difficulty for the state holding is to raise the market price of the shares to at least the nominal value by this point. The company can only do this by increasing dividends, analysts believe.

Read full text: <https://www.kommersant.ru/doc/3758392>

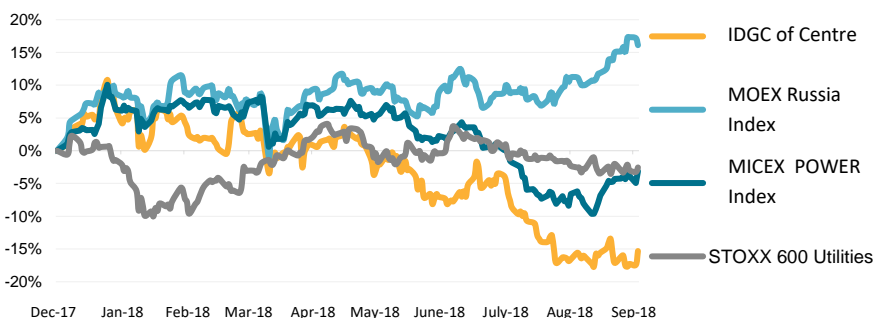
COMPANY NEWS

IDGC of Centre completed the reconstruction of a large feeding centre in the Smolensk region

IDGC of Centre completed the reconstruction of the 110/35/10 substation "Vyazma-1", located in the city of Vyazma of the Smolensk region, thereby increasing the reliability of power supply to consumers in Vyazemsky district.

Read full text: <https://www.mrsk-1.ru/press-center/news/company/65894/>

DYNAMICS OF KEY INDEXES AND SHARES OF THE COMPANY



World indexes	Value	Change	
		per day	fr 31.12.17
MOEX Russia	2 449,70	-0,91%	16,11%
S&P 500	2 923,43	-0,04%	9,34%
FTSE 100	7 474,55	-0,28%	-2,77%
DAX	12 287,58	-0,42%	-4,88%
DJStoxx 600	381,94	-0,52%	-1,86%
Nikkei	24 270,62	0,10%	6,61%
Sensex	36 526,14	0,00%	7,25%
CSI300	3 438,86	0,00%	-14,69%
Bovespa	81 612,28	3,80%	6,82%

Source: Bloomberg, Company calculations

Currency rates	Value	Change	
		per day	fr 31.12.17
USD/RUB	65,57	-0,02%	13,79%
EURO/RUB	75,99	-0,32%	10,47%

Source: Bloomberg, Company calculations

Raw	Value	Change	
		per day	fr 31.12.17
Gold, USD/oz	1 203,32	1,21%	-7,64%
Brent*, USD/bbl	84,80	-0,21%	26,81%

* - November futures

Source: Bloomberg, Company calculations

Shares	Price**, P	MCap**, P bln	Change	
			per day	fr 31.12.17
IDGC of Centre	0,3015	12,73		194,11
IDGC of Centre & Volga Reg	0,2855	32,18		490,67

Source: Central Bank of Russia, Company calculations

Comparison with indexes	Change	
	per day	fr 31.12.17
STOXX 600 Utilities	0,71%	-2,55%
MICEX POWER Index	1,90%	-3,13%
IDGC of Centre**	2,55%	-15,31%
IDGC of Centre and Volga Region**	1,60%	-5,37%

Source: Bloomberg, Company calculations

Grid companies	Change**	
	per day	fr 31.12.17
Rosseti, ordinary shares	11,96%	-2,90%
FGC UES	2,38%	2,25%
IDGC of Volga	1,21%	-2,48%
MOESK	1,01%	-22,02%
IDGC of Northern Caucasus	2,82%	-23,96%
IDGC of North-West	2,12%	29,42%
IDGC of Urals	0,85%	-15,04%
IDGC of Siberia	2,20%	-18,78%
IDGC of South	3,59%	30,43%
Lenenergo, ordinary shares	0,08%	31,25%
TRK, ordinary shares	0,00%	-13,21%
Kubanenergo	1,13%	-31,63%

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