

REVIEW OF STOCK MARKETS

Before the opening of trading on Thursday 29 August some neutral external background formed on the Russian market. On Wednesday the US indices DJIA and S&P500 rose by 0.7-1.0%. The market was supported by the absence of a new negative factor on the US-China trade conflict, investors' expectations that the bellicose intentions and statements of the parties would not be fully realized in practice, and a reduction in the inversion of the yield curve of US government bonds. On Thursday the composite index of the Asia-Pacific region MSCI Asia Pacific lost 0.2%. The positive closing of the US market was offset by the White House announcement of an additional 5% duty on Chinese goods worth \$300 billion starting 1 September and 15 December. October Brent futures traded around \$60.2 per barrel, \$0.5 below our close on 28 August. Brent quotes were adjusting after the jump following the results of the previous session on the data of the US Department of Energy on a significant decrease in oil reserves in the country – by 10 million barrels, to a minimum level since October 2018. Constraining factors for the oil market were the growth of oil production in the US to the next record and a decrease by analysts at Morgan Stanley of the forecast growth in world oil demand in 2019-2020 due to the slowdown in the global economic recovery.

On Thursday, buyers dominated the global stock markets – in the middle of the day, the growth rates of the MOEX Russia Index, the Stoxx Europe 600 Index and the S&P500 futures exceeded a percent. Investors' sentiment was improved due to optimistic statements by China regarding negotiations with the US and news about the completion of the political crisis in Italy. According to the representative of the Ministry of Commerce of China, Beijing will not immediately respond to the increase in tariffs by Washington, and also hopes that the White House can cancel them to prevent the escalation of the trade war and create the necessary conditions for negotiations. Italy was able to avoid early elections after the leaders of the 5 Star Movement and the Democratic Party of Italy were able to agree on the formation of a new government. The drivers of the Russian market's rise were Gazprom's shares (+2.1%) on Gazprom's confirmation by the head of Gazprom of plans to transfer to payment of dividends in the amount of 50% of IFRS net profit and LUKOIL's shares (+3.1%) – on management statements on the development of a new buyback program and possible payment of interim dividends.

At the end of the day, the electric utilities sector index looked slightly worse than the market. The main contribution to the MOEXEU growth was made by shares of Inter RAO and Unipro. Rosseti reported under IFRS for the first half: revenue increased by 3%, to 500.05 billion rubles, EBITDA – by 14%, to 167.7 billion rubles, net profit – by 14.9%, to 67.9 billion rubles. According to analysts of Aton and Sova Capital, the company's statements are neutral. However, Aton drew attention to the FCF doubling, despite higher capital costs. In turn, Sova Capital noted the company's control of operating expenses, which was reflected in the EBITDA changes.

ELECTRIC POWER INDUSTRY NEWS

Rosseti was allowed to include in the tariff the cost of purchase of TGCs, - says the newspaper

At a meeting on 28 August, Deputy Prime Minister Dmitry Kozak supported the idea of Rosseti to include expenditures for the consolidation of TGCs (territorial grid companies) in the tariff for electricity transmission, sources familiar with its results told Kommersant. In the office of Deputy Prime Minister, the newspaper was informed that an approach was generally discussed in which the costs of consolidating assets can be included in Rosseti's investment program, provided that this does not lead to an increase in the tariff and will be compensated in the future by saving on the operation of the grid infrastructure.

Read full text: <http://www.bigpowernews.ru/markets/document89569.phtml>

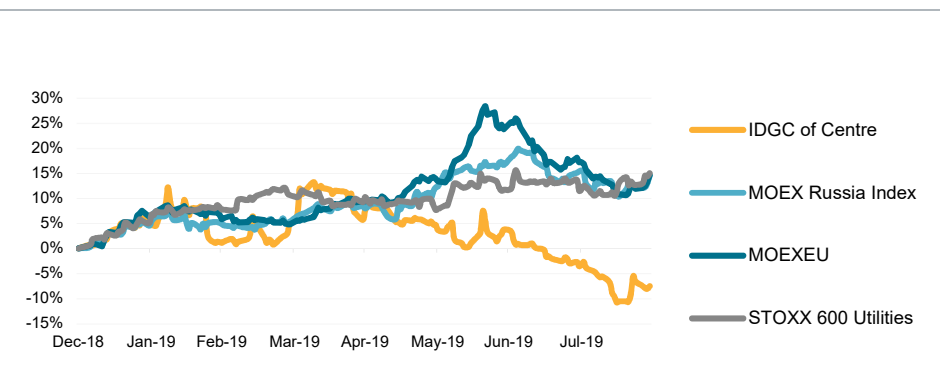
COMPANY NEWS

Igor Makovskiy: "We regard the provision of electricity to educational institutions as an essential social function"

Specialists of branches of Rosseti Centre and Rosseti Centre and Volga Region completed connection to electric grids of a number of large educational institutions of school and preschool education in regions of their activity (the companies operate in 20 constituent entities of the Russian Federation) on the eve of the new school year.

Read full text: <https://www.mrsk-1.ru/press-center/news/company/69467/>

DYNAMICS OF KEY INDEXES AND SHARES OF THE COMPANY



World indexes	Value	Change	
		per day	fr 31.12.18
MOEX Russia	2 714,25	1,38%	14,56%
S&P 500	2 887,94	0,00%	15,20%
FTSE 100	7 184,32	0,98%	6,78%
DAX	11 838,88	1,18%	12,12%
DJStoxx 600	376,74	1,04%	11,58%
Nikkei	20 460,93	-0,09%	2,23%
Sensex	37 068,93	-1,02%	2,77%
CSI300	3 790,19	-0,33%	25,89%
Bovespa	98 193,50	0,00%	11,73%

Source: Bloomberg, Company calculations

Currency rates	Value	Change	
		per day	fr 31.12.18
USD/RUB	66,41	0,23%	-4,40%
EURO/RUB	73,66	0,07%	-7,30%

Source: Bloomberg, Company calculations

Raw	Value	Change	
		per day	fr 31.12.18
Gold, USD/oz	1 527,63	-0,74%	19,11%
Brent*, USD/bbl	61,08	0,98%	13,53%

* - October futures

Source: Bloomberg, Company calculations

Shares	Price**, ₽	MCap**, ₽ bln	MCap**, \$ mln
IDGC of Centre & Volga Reg	0,2506	28,24	425,25

Source: Central Bank of Russia, Company calculations

Comparison with indexes	Change	
	per day	fr 31.12.18
STOXX 600 Utilities	0,54%	15,06%
MOEXEU	1,26%	14,73%
IDGC of Centre**	0,61%	-7,55%
IDGC of Centre and Volga Region**	0,56%	-5,43%

Source: Bloomberg, Company calculations

Grid companies	Change**	
	per day	fr 31.12.18
Rosseti, ordinary shares	1,80%	49,32%
FGC UES	0,99%	16,59%
IDGC of Volga	0,22%	-6,22%
MOESK	0,71%	18,48%
IDGC of Northern Caucasus	8,22%	129,57%
IDGC of North-West	0,42%	8,02%
IDGC of Urals	-0,57%	-5,31%
IDGC of Siberia	12,30%	154,73%
IDGC of South	0,84%	10,10%
Lenergo, ordinary shares	0,70%	8,51%
TRK, ordinary shares	0,00%	-5,84%
Kubanenergo	0,67%	23,16%

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