Equity Strategy Research

John Walsh
Equity Strategy
7 (499) 923-6697 (ext. 8238)

27 April, 2024

Weekly Digest

Reversal of fortunes for Russian and global equities

IMOEX to correct ending four weeks of growth, but on track for fourth monthly gain and a YTD advance of 11.3%: After four weeks of gains, the Russian stock market has lost momentum, and is on track for a 0.5% loss this week. The weak dynamic is in contrast to the strong performance by global stock markets and inconsistent with the rebound in the oil price this week. The correction is of a technical nature, after a 4.0% gain by the IMOEX up to Friday 19 April, with the index approaching resistance. However, the IMOEX is on track for 3.6% monthly growth – the fourth consecutive monthly gain, implying a YTD performance of 11.3%, one of the best among major global stock markets. The next catalyst will be dividend payments of RUB3.4tn during the summer months. There was a busy week for earnings and dividend announcements. Among the key events we note: Tatneft's BoD recommended 4Q23 DPS of RUB25.17/share, which exceeded expectations; Sberbank's BoD recommended a 1Q24 DPS of RUB33.3/share, which was in line with expectations, and MTS announced a 2023 dividend of RUB 35.0, which was in line with expectations, as well as a new dividend policy; Severstal's BoD recommended a 1Q24 DPS of RUB38.3/share. On the earnings front, SBER, YNDX, UGLD, OZON, and MDMG reported strong numbers.

Global stock markets rebounded and gold retreated as investors unwound safe haven trades: After three weeks of risk-off sentiment and losses, global markets found stability this week, and rebounded, supported by an easing of Middle East geopolitical tensions. The technical rebound in equities was also supported by the 1Q24 earnings season, as four of the big seven tech stocks, which account for a large weighting of the S&P 500, reported albeit with mixed dynamics. Meta disappointed the market with a weak guidance forecast for 2Q24, while Tesla missed its earnings estimates. After the bell on Thursday night Microsoft and Alphabet beat their earnings estimates and signaled that the artificial intelligence boom that has driven gains for technology stocks remains on track. US Treasury yields climbed to five-month highs (2UST @ 5.0% and 10UST @ 4.7%) after US core PCE price index data advanced at a faster-than-expected pace – core inflation came in at 2.7% y/y, above the 2.6% estimate and in line with the February number; also, 1Q24 US GDP came in much lower than expected at 1.6% q/q (vs. the estimate of 2.5% growth and 3.4% in 4Q23. This implies that the US economy may face a hard landing in the event of interest rates being kept high for a sustained period. The US dollar remained firm, closing the week flat at 106.13 (DXY). Chinese stocks were among the performers supported by sign of economic recovery and recent stimulus measures, with the Hang Seng closing the week 8.0% higher. On Wall Street the Nasdaq closed 4.0% higher supported by the rally in tech stocks and the S&P 500 added 2.7% for the week. Commodity markets remained firm with oil (+2.4% w/w @ 89.37) and copper (+1.0% @ 9,976) both advancing, while gold retreated (XAU -2.2% @ 2,338) as investors unwound safe haven positions.

FOMC meeting and tech earnings in focus next week: Next week the main focus will be on Wednesday's FOMC meeting, where the key rate is widely expected to be kept unchanged. Hence, the key focus will be on guidance from Jerome Powell considering PCE data last week showing a rebound in US inflation in March and a weaker-than-expected 1Q34 GDP reading of 1.6%. The Fed Funds futures are currently pricing in just one 25bp rate in December. Memories of the 1970 are likely to dissuade the Fed from cutting rates too early, despite evidence of a slowing economy. Earnings can again be expected to be a key driver, with reporting from Apple and Amazon topping the bill. Tech peers such as Tesla, Meta, Alphabet, and Microsoft have delivered mixed performances, with names with AI exposure outperforming.

Global investors will be focused on PMI manufacturing data from China: Following last month's upside surprises on manufacturing activity in China, April's readings are set to indicate whether the long-awaited economic recovery is gathering steam and becoming a trend. Official figures for China's PMI are due on Tuesday and the Caixin/S&P Global manufacturing PMI survey expected shortly afterwards. Upbeat data could sentiment towards the world's second-largest economy, bringing relief to policymakers who have been trying to support growth and bolster investor sentiment. Global investment houses have turned increasingly bullish on Chinese stocks, helping the blue-chip index (CSI300) to rebound more than 10% from the February trough.

Eurozone inflation and GDP data will likely indicate an ECB rate cut in June: Eurozone inflation and economic growth data due out on Tuesday could strengthen market bets for the European Central Bank to lower its interest rate from a record 4% in June, although policy makers are not expected to move very fast thereafter. GDP in the Eurozone currency bloc probably expanded by just 0.1% y/y in the first quarter, economists polled by Reuters show. The April inflation numbers could also convince the ECB it's time to cut rates, after consumer price growth slowed unexpectedly to 2.4% in March and policymakers signaled that the central bank was willing to move. However, with U.S. inflation running hot and the Fed viewed as likely to hold rates high, markets price in just 60 bp of cuts by the ECB this year, as it remains wary of the euro weakening too much against a strong dollar.

Alfa Bank Equities

27, Kalanchevskaya str Moscow, Russia 107078
+7 (495) 795-3712

Head of Equities Viacheslav Savitskiy
+7 (495) 783 5101 vsavitskiy@alfabank.ru

Research Department

Head of Research (Managing Director)
Boris Krasnozhenov bkrasnozhenov@alfabank.ru +7 (495) 795-3612

Macroeconomics
Natalia Orlova, Ph.D. norlova@alfabank.ru + 7 (495) 795-3677
Valeriya Kobyak vkobyak@alfabank.ru +7 (499) 923-6697 (ext. 3071)
Polina Yakovleva poyakovleva@alfabank.ru +7 (499) 923-6697 (ext. 6336)

Equity

Equity Strategy
John Walsh jwalsh@alfabank.ru +7 (499) 923-6697 (ext. 8238)

Metals & Mining
Boris Krasnozhenov bkrasnozhenov@alfabank.ru +7 (495) 795-3612
Elizaveta Degtyareva edegtyareva@alfabank.ru +7 (499) 923-6697 (ext. 0104889)

Oil & Gas
Nikita Blokhin nblokhin2@alfabank.ru +7 (499) 923-6697 (ext. 8037)

Consumer
Evgeniy Kipnis ekipnis@alfabank.ru +7 (495) 795-3713
Olesya Vorobyeva oovorobyeva@alfabank.ru +7 (499) 681-3075

Transportation, Industrials, Healthcare
Anastasiya Egazaryan aegazaryan@alfabank.ru +7 (499) 923-6697 (ext. 2852)

Real estate
Irina Fomkina ifomkina@alfabank.ru +7 (499) 923-6697 (ext. 0101174)

TMT, Agriculture, Forest
Anna Kurbatova akurbatova@alfabank.ru +7 (495) 795-3740
Olesya Vorobyeva oovorobyeva@alfabank.ru +7 (499) 681-3075

Banking
Evgeniy Kipnis ekipnis@alfabank.ru +7 (495) 795-3713

Utilities
Anastasiya Egazaryan aegazaryan@alfabank.ru +7 (499) 923-6697 (ext. 2852)

Editor
Maksim Sukhmanskiy msukhmanskiy@alfabank.ru +7 (499) 923-6697 (ext. 0105222)

Data Specialist / Analyst
Denis Dorofeev didorofeev@alfabank.ru +7 (499) 923-6697 (ext. 8086)
Polina Orekhova porekhova@alfabank.ru +7 (499) 923-6697 (ext. 8903)

Fixed Income

Maria Radchenko mgradchenko@alfabank.ru +7 (499) 923-6697 (ext. 0105074)

FI & Interest Rate Strategy

Nikita Eurov neurov@alfabank.ru +7 (499) 923-6697 (ext. 5204)

Equity Sales & Trading (Moscow)

Equity Sales
Alexander Zorov azorov@alfabank.ru +7 (495) 783-5115
Anastasiya Poltavskaya apoltavskaya@alfabank.ru +7 (499) 923-6697 (ext. 4290)

Equity Trading
Artem Belobrov abelobrov@alfabank.ru +7 (499) 923-6697 (ext. 4618)
Ivan Makarov makaroiviv@alfabank.ru +7 (499) 923-6697 (ext. 0105373)

Equity Financing
Oleg Morozov omorozov@alfabank.ru +7 (499) 923 6697 (ext. 6972)

Alfa Direct (Domestic retail brokage) +7 (495) 786-4886

RATING DEFINITIONS

Alfa Bank applies a three-tier rating system for stocks under coverage. These ratings are based on the expected total stock return, which is the sum of the return to the target price and the expected dividend yield.

The ratings are:

Overweight (O/W):	Expected total stock return > 15%
Equal Weight (E/W):	Expected total stock return < 15% and > 0%
Underweight (U/W):	Expected total stock return < 0%

Owing to price volatility and our policy of not changing our ratings in response to frequent, short-term misalignments with expected returns, our ratings may sometimes not conform with the ranges indicated above.

In addition to the ratings above, we may occasionally assign the following classifications to stocks covered:

Restricted (R):	A rating, target price or financial forecasts are not disclosed owing to compliance or other regulatory considerations.
Under Review (U/R):	In response to recent or pending news flow requiring a significant overhaul or amendment of a company's financial model, the previous rating and/or target price is temporarily not disclosed.
Coverage in Transition (I/T)	Due to changes in the research team, the disclosure of a stock's rating and/or any other stock-specific information is temporarily suspended. The stock stays in Alfa Bank's coverage universe and usual disclosures will be resumed in due course.
Not Rated (N/R)	The stock is not in Alfa Bank's coverage universe at the time the research product referring to it is published.

Target Prices

The Target Price reflects the research analyst's informed opinion on the price which is likely to be attained by the stock within 12 months, subsequent to the date of the Target Price determination.

IMPORTANT INFORMATION

The contents of this document have been prepared by Joint Stock Company Alfa-Bank ("Alfa Bank"), as Investment Research within the meaning of Article 36 of Commission Delegated Regulation (EU) 2017/565 supplementing the Markets in Financial Instruments Directive 2014/65/EU ("MiFID II"). Alfa Bank is regulated by the Central Bank of the Russian Federation under general license number 1326. Alfa Bank is owned by ABH Financial Limited. The information contained in this document is provided for information purposes only and is not a marketing communication, investment advice or personal recommendation within the meaning of MiFID II. The information must not be used or considered as an offer or solicitation of an offer to sell or to buy or subscribe for any securities or financial instruments. In the UK, this document does not constitute a Financial Promotion within the meaning of section 21 of the Financial Services and Markets Act 2000 (as amended). This document is not for distribution or use by any person or entity in any jurisdiction where such distribution or use would be contrary to local law or regulation or which would subject Alfa Bank and its associated companies, directors or employees to authorization, licensing or other registration requirements under applicable laws. This document may be distributed to retail clients as defined by MiFID II on a non-advised basis. This document is not for distribution or use by European investment firms providing portfolio management or other investment or ancillary services to clients unless it is received in return for payment. The information contained in this document is the exclusive property of Alfa Bank and might be subject to change without notice. Unauthorized duplication, replication or dissemination of this document, in whole or in part, without the express written consent of Alfa Bank is strictly prohibited. Although the information in this document has been obtained from and is based on, sources Alfa Bank believes to be reliable, no representation or warranty, express or implied, is made by Alfa Bank. The author`s opinion expressed herein reflects their current judgment and is subject to change without notice. Alfa Bank and its associated companies will refuse to provide brokerage or any other service to any potential client if they have reason to believe that the provision of the services to such client would be illegal. This research has been prepared without regard to the personal circumstances, investment objectives, knowledge, experience, risk tolerance and return expectation of the investors receiving this research. Investors should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of instruments referred to in this research, and the income from them, may fluctuate and be subject to foreign currency exchange rate adverse effect. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Alfa Bank and its associated companies, directors or employees (excluding any financial analysts or other personnel involved in the production of research), from time to time, may deal in, hold or act as underwriters, market makers or advisors, brokers or commercial and/or investment bankers in relation to the securities, financial instruments and companies mentioned in this email, or may have been, or may be represented on the board of such companies. If such circumstances arise, Alfa Bank and its associated companies have in place appropriate conflicts of interest policies and procedures to ensure that investment research remains independent and objective.

Neither Alfa Bank nor its subsidiaries are affiliated with US-based Alfa Insurance. Furthermore, Alfa Bank is registered as a broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts.

As of January 24, 2017, Alfa Group owned 47.86% of X5 Retail Group ("X5"). X5 is listed on the LSE. This research was produced independently of this relationship.

The Analysts certify that the views and forecasts expressed in this report accurately reflect their personal views about the subject, securities, or issuers specified herein. In addition, the Analysts certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this report.

This report is published weekly.