

Eastern European Equities: Weekly Overview

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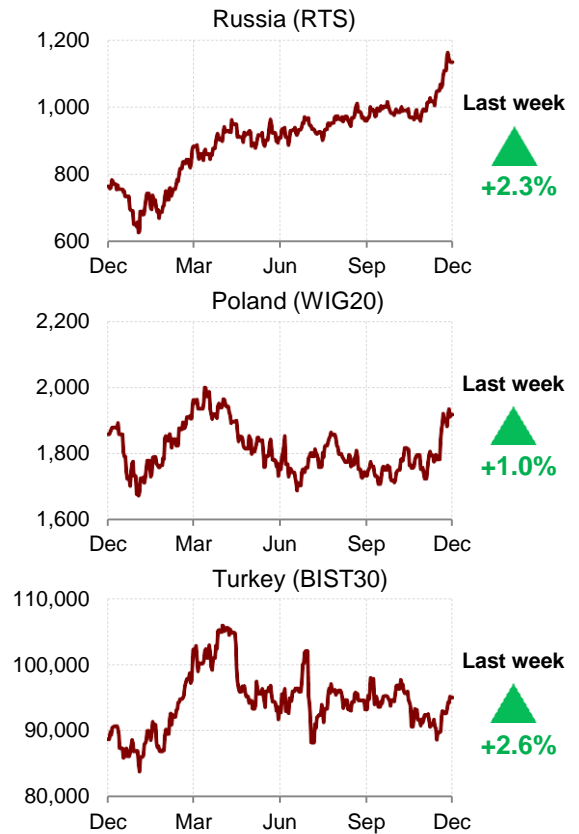
- Eastern European equities not derailed by hawkish Fed as rally in Russian market continues
- Russian household demand recovers more slowly than expected
- We wish you Merry Christmas and Prosperous New Year!!!

Emerging market equities (MSCI EM -2.4%) traded down last week, reflecting the ongoing strength of the US dollar which appreciated in the aftermath of slightly more hawkish than expected Fed's meeting. The regulator lifted the target fed funds rate 25bp to 0.50-0.75% and also projected three more 25bp hikes to take place in 2017. Nevertheless, that could not derail Eastern European equities from posting positive weekly returns. Russian market outperformed in the region, as RTS index gained 2.3% on the back of Brent climbing 1.6%. Elsewhere, Polish stocks followed the suit, as WIG20 index added 1.0%. Finally, Turkish equities continued clawing back autumn's losses. BIST30 index advanced 2.6%, even though lira slipped below 3.5 against the USD.

Macro news

Russia

Rosstat published regular monthly data-pack on the Russian economy for November. *Industrial output* data surprised on the upside and exhibited the highest print since 2014, improving to 2.7% y/y from -0.2% a month before. Such robust growth was driven by notable recovery in *manufacturing* segment (+2.5% y/y), as well as a jump in *utilities* (+4.1% y/y). By contrast, the demand side data missed consensus estimates, showing that recovery takes place at less dynamic speed. Thus, *real wages* (+1.7% y/y) grew slower than had been expected and *real disposable income* fell more (-2.5% y/y). As a result, even though *retail sales* print (-4.1% y/y) improved from the month ago, it still came considerably below forecasts (-3.4% y/y). Finally, *unemployment rate* remained at 5.4%, demonstrating still rather tight labor market conditions. **All in all, the data shows that although the macroeconomic stabilization continues, supply side recovery takes place more rapidly than household demand.**



Market performance

Best performers	1W return (USD)	YTD return (USD)	Worst performers	1W return (USD)	YTD return (USD)
Mechel	17.4%	251.6%	KGHM	-7.2%	30.8%
Rosneft	11.0%	90.6%	Rusal (RDR)	-6.8%	39.7%
Globaltrans (GDR)	8.9%	31.9%	LPP	-6.7%	-8.2%
M.Video	7.6%	70.8%	Koza Altyn	-6.3%	6.3%
Kardemir	7.3%	-11.3%	Severstal	-5.8%	82.4%
Alrosa	6.1%	104.8%	Mail.Ru (GDR)	-5.0%	-20.4%
Sberbank (pref)	5.6%	97.4%	Norilsk Nickel	-4.1%	35.3%
Enka	5.5%	0.8%	PIK Group	-4.0%	43.4%
PGN	5.0%	-3.4%	Ulker	-4.0%	-20.2%
TAV Holding	4.9%	-36.2%	Polymetal	-3.7%	13.5%

Name	Last	1W	1M	3M	1Y	YTD
EQUITY MARKETS						
Russia (MICEX)	2,231.4	1.0%	9.2%	12.6%	29.8%	26.7%
Russia (RTS)	1,135.6	2.3%	14.0%	18.1%	48.3%	50.0%
Russia second tier (RTS 2)	1,308.5	5.6%	11.5%	40.1%	102.7%	106.8%
Russia GDR (RDX)	1,451.6	4.3%	16.8%	27.9%	57.7%	57.7%
Turkey (BIST30)	95,068.6	2.6%	3.7%	1.9%	7.1%	8.7%
Poland (WIG20)	1,918.5	1.0%	10.1%	10.6%	3.2%	3.2%
Czech Republic (PX)	917.6	1.9%	3.1%	6.6%	-1.0%	-4.1%
Hungary (BUX)	31,876.3	4.2%	6.5%	13.4%	34.7%	33.3%
Baltic OMX (OMX TR Index)	774.1	-0.2%	1.7%	6.8%	21.6%	19.4%
Romania (BET)	7,056.8	2.3%	2.9%	1.1%	3.8%	0.7%
Emerging Europe (MSCI IMI)	820.2	1.5%	8.6%	12.2%	18.3%	17.3%
MSCI Emerging Markets	856.4	-2.4%	1.1%	-3.3%	8.4%	7.8%
US (S&P 500)	2,258.1	-0.1%	3.2%	5.6%	12.6%	10.5%
Europe (STOXX Europe 600)	360.0	1.3%	5.7%	6.6%	-0.3%	-1.6%
MSCI World	1,754.7	-0.3%	2.8%	3.4%	7.4%	5.5%
COMMODITIES						
Brent (NYMEX)	55.2	1.6%	18.8%	20.6%	49.7%	48.1%
Coking Coal (TSI)	243.8	-9.3%	-4.1%	41.7%	236.7%	233.5%
Base metals (LME)	2744.2	-2.2%	2.9%	15.8%	25.9%	24.6%
Aluminium (LME)	1724.3	-1.7%	1.7%	10.3%	14.5%	14.9%
Copper (LME)	5629.8	-3.3%	2.6%	18.0%	20.2%	19.6%
Nickel (LME)	11119.5	-2.6%	-0.7%	14.9%	27.5%	26.6%
Iron ore	79.9	1.3%	13.6%	40.1%	105.0%	101.8%
Gold	1134.8	-2.2%	-6.7%	-13.4%	6.4%	6.9%
Agriculture (S&P GSCI)	292.6	-1.0%	-1.7%	-0.4%	0.8%	3.2%
CURRENCIES						
RUB/USD	62.0650	-0.6%	-4.3%	-4.9%	-12.3%	-14.4%
TRY/USD	3.5053	0.8%	4.0%	17.6%	20.6%	20.2%
POL/EUR	4.4161	-0.8%	-0.4%	2.5%	3.4%	3.6%
CZK/EUR	27.0220	0.0%	0.0%	0.0%	0.0%	0.0%
HUF/EUR	312.4800	-0.7%	0.8%	1.4%	-0.5%	-0.9%
UAH/EUR	27.3959	-0.5%	-0.8%	-4.9%	6.8%	5.0%
KZT/USD	335.0100	0.2%	-1.8%	-1.4%	-2.6%	-1.6%
EUR/USD	1.0451	-1.0%	-1.6%	-6.3%	-3.8%	-3.8%
GBP/USD	0.8008	0.7%	-0.6%	4.1%	19.3%	18.0%

Source: All data are from Bloomberg, unless otherwise stated.

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