



Gazprom vs Sberbank spread play

BUY Gazprom (OGZD LI/GAZP RX) and SELL Sberbank (SBER RX/SBER LI)

GAZPROM TARGET: ₹250 OR \$6,8 ON LSE OR 20% TILL END OF JANUARY!

Gazprom was up 5% on MOEX and just under 6% in London on December 17.

Sberbank was down 0.07% on MOEX and 0.1% in the LSE.

Key risks: Possible geopolitical risks associated with sanctions rhetoric and sanctions themselves, but we assume they will not materialize until the trade idea expires in the end of January.

INTERNATIONAL INVESTORS PREFER RUSSIAN EQUITIES OVER OFZ?

Major cyclical equities in the Russian space with the largest non-resident share of FF are Sberbank, Gazprom, Norilsk Nickel and Lukoil.

Sberbank's free float is 48% and the share of non-residents, DR holders and institutional funds, in the bank's free float is 41-45%, or \$15-16 bln.

Gazprom's free float is 50% and the share of non-residents, DR holders and institutional funds, in the company's free float is 30%, or \$10 bln

WHY THIS IS IMPORTANT?

If you have noticed over the last month the oil rally had limited impact on OFZs, while the rouble is about to break ₹73/\$ in line with expectations, though the growth could have been stronger.

Since the beginning of November the rouble strengthened by 8%, the OFZ 10Y by 2.1%, while Brent surged 37% with Russian equities. Since November Gazprom was up by 50% and Sberbank by 53%.

One of the reasons behind the growth is that investors are playing the rouble via Russian equities with the largest share of non-resident in their free float and through cyclical stocks which are the most undervalued except for Sberbank.

TECHNICAL TRIGGERS AND TARGET:

- At times of positive market volatility when there's high demand for cyclical stocks, Gazprom often catches up with Sberbank which is the first to reach the finish line in most cases. The last time we saw this happening was summer 2019 and it a few weeks ago the trend resumed.
- **We think there is at least ₹40, or 20%, upside till the year-end for Gazprom**

shares.

GAZPROM VS SBERBANK SPREAD, ₺



Source: Bloomberg, ITI Capital

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