

July 24 2013

Strategy

# MidLincoln Research

## Wednesday Ideas Vote

[www.midlincoln.com](http://www.midlincoln.com)

Tactical weekly view: Neutral

Strategic view: bearish

Your input could make it even more interesting. As, some of these ideas are wrong, and the others are not very strong. Tell which ones do you think are right?

Vote below to checkmark ideas which you think are sound.

You can add in your own ideas some of which i can summarise and present next wednesday.

Please use links below to vote on the website where information handling is completely anonymous.

Alternatively you can put in your likes or comments on my linkedin page.

## Please, Vote Here!

[Sell Magnit?](#)

[Buy Gold?](#)

[Sell Uralkaly?](#)

[Sell Rosneft & Novatek?](#)

[Buy PIK](#)

[Buy USD sell RUB](#)

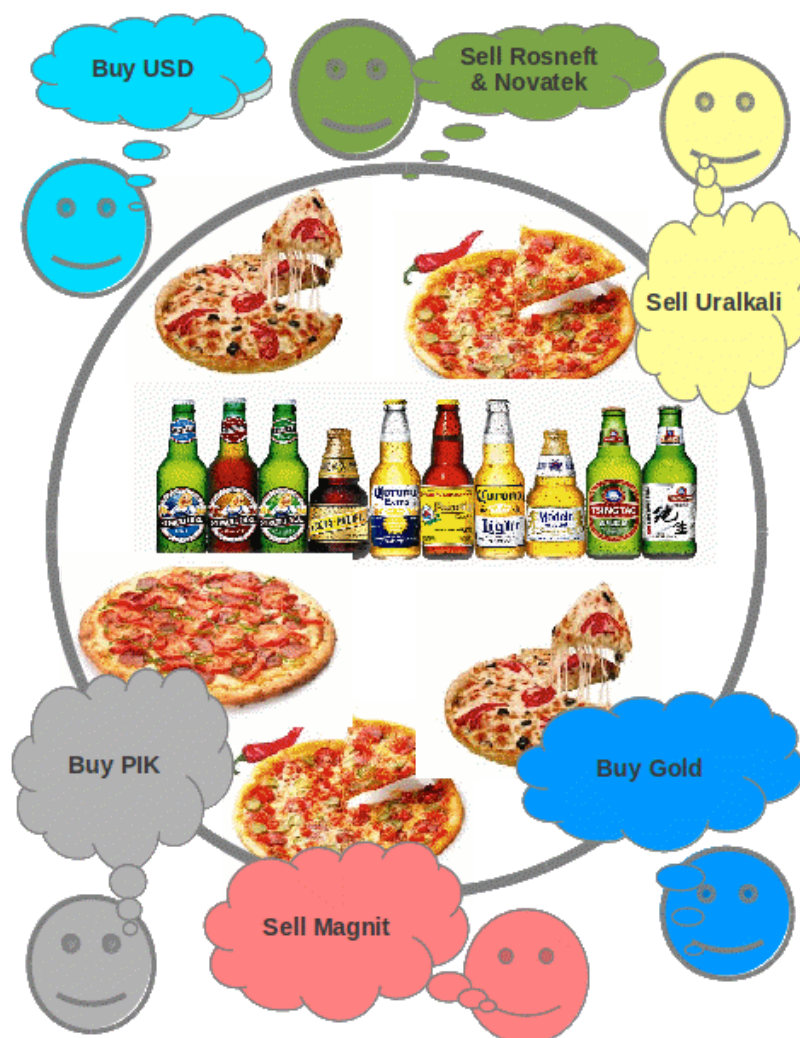
For 10 years while at Rencap i chaired strategy ideas meeting of sales, traders and analysts which took place every wednesday night. It was a vivid and friendly discussion of trade ideas over pizza and sushi washed down with plenty of beer.

Some wednesdays yielded lots of ideas, and some were quite useless yielding non at all. The results of the meeting were summarized in Navigator portfolio publication. Now its all history.

Wednesday Ideas Vote publication is an attempt to resurrect that tradition so far only in the abridged version and unfortunately without any beer and no pizza.

Here they are the ideas for this Wednesday. The reasoning is below.

<http://www.midlincoln.com/ideasvotejy24/WednesdayIdeasVoteJuly24.html>



## **Sell Rosneft, Novatek ahead of elections**

Both stocks are very sensitive to protests and we expect more protest in September after elections. While Navalny is out, elections are likely to be very heated. In either case if Navalny wins or loses, he is more than likely to be handed a guilty verdict in his appeal trial. This will push people out to street to protest.

Navalny in Moscow is just a very obvious case while lots of regional elections are likely to be problematic and will catalyze protests. So we suggest trimming these 2 stocks or outright selling them, despite fairly upbeat fundamentals.

## **Sell Magnit**

Magnit had a pretty good run so far this year, catching last glimpse of 22 years of strong growth in consumption in Russia. Consumption for Russia is likely to become an old story with marginal consumption growth coming from increase in real incomes if inflation is finally conquered.

The next likely lag of growth in Russia will come in import substitution and rising net exports and from increase in investments when policymakers finally create a backdrop for private and public investing.

Though at present investors selling Magnit have little where to go as there are no big stocks among domestic producers infrastructure stocks.

**Buy USD vs RUB** in the environment of strong pricing pressure, the FX mechanism is the only tool available for policymakers to stimulate growth quickly. Policymakers are likely to rely on this tool even subconsciously. In addition any rise in protests are likely to press on ruble on the downside.

## **Sell Uralkali**

Uralkali is a stock with very weak fundamentals and forecasted consensus 10 % earnings fall this year. The stock was supported with Buy back program that is now over and the stock likely to be weak.

## **Buy Gold**

We think that **Detroit** is just the beginning of trouble in the US municipal bond market. Tactically we think that gold will be supported before the situation in Detroit is resolved. While in the case of contagion and dip in risk appetite from Detroit fallout gold is likely be supported again as more money need be printed or as US debt will be downgraded again. So gold might be supported and may be gold stocks.

## **Buy PIK**

Russian real estate stocks besides pure financial plays as in the west or elsewhere are sort of both domestic producers and infrastructure developers, which puts them right into the most apec point of investment ideas. While LSR has been investors darling here and the index stock, PIK is now making a comeback. In addition rumor is that PIK and Eurocement might merge their assets while will create a similar set of assets to LSR and even much stronger of company, while i am not sure of domiciliation, a Eurocement is wrapped up as a swiss holding.

Vote results for Ideas of

**Good luck! And don't stay out of the market for too long. As the policy of being too cautious is the greatest risk of all.**

**Ovanes Oganisyan**

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