



# The role of fundamental analysis in determining the market value of hospitality, tourism and company shares

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## Abstract

Fundamental analysis is one of the tools to study all the factors that affect the economic situation of the state on the forces of presentation and painting of its currency by measuring the state of economic growth, inflation, interest rates, industrial and service capabilities, labor market, unemployment rates, political stability of the state and of for example, the hospitality and tourism industry .In this paper we reviewed the theoretical foundations of fundamental analysis and the concept, advantages and disadvantages of fundamental analysis and the tools of fundamental analysis also The role of fundamental analysis in determining the market value of company shares, as well as the practice of its application in Russia. Fundamental analysis takes into consideration the company's revenues and future dividends, the expectations for future interest rates and the company's risk assessment to provide the most accurate estimate of the company's share price. Ultimately, it attempts to determine the present discounted value of all payments which a shareholder will receive per share. If this value exceeds the share market value, a fundamental analyst will recommend buying it. A conclusion was made that the main advantage of fundamental analysis is its focus on long-term investment and this type of analysis is focused on strategic investors and such investors are critically needed in the global tourism and hospitality industry.

**Keywords:** fundamental analysis , long-term investment, strategic investors , shares , gross domestic product (GDP) , gross national income (GNI). market value.

## Introduction

One of the methods to forecast share prices is fundamental analysis which is based on determining the fair, or intrinsic value of company shares by examining a particular company with the specifics of its activities and development and analyzing its strengths and weaknesses (Srivastava *et al.*, 1998). This topic is relevant due to the development of global and Russian stock markets, potential of their further expansion, entry of new companies to the market such as tourism and hospitality industry enterprises, and the corresponding need for a serious science-based approach which can be used for making strategic decisions in respect of such companies. The aim of this paper is to study the theoretical foundations and the contemporary methodology of fundamental analysis, as well as the practice of its application in Russia and its impact on hospitality and tourism . In order to achieve this goal, the following tasks are solved:

- studying the concept of fundamental analysis, comparing its advantages and disadvantages, considering the potential for its use by various groups of investors;
- determining the specifics of conducting fundamental analysis in Russia.

The subject of research is the procedure and the modern methods of fundamental analysis of companies which help to determine their fair value. The object of research is the fundamental analysis, i.e. analysis based on the assessment of the current and potential economic standing of a company, and its position in the industry. The theoretical and methodological framework of the study consists of approaches suggested by both Russian and foreign authors.

## **The theoretical foundations of fundamental analysis**

### **The concept, advantages and disadvantages of fundamental analysis**

The term fundamental analysis refers to certain methods used to forecast a company's market value by analyzing its production performance and financial indicators. Fundamental analysis takes into consideration the company's revenues and future dividends, the expectations for future interest rates and the company's risk assessment to provide the most accurate estimate of the company's share price (Norreklit, 2000) . Ultimately, it attempts to determine the present discounted value of all payments which a shareholder will receive per share. If this value exceeds the share market value, a fundamental analyst will recommend buying it (Zingales,1995).

The first step of fundamental analysis involves studying the company's past revenues and analyzing its financial statements. This analysis is accompanied with a detailed economic analysis which usually involves evaluation of the company's management, assessment of its industry position, the prospects of the industry itself and macroeconomic analysis of the country where the company operates (Abad *et al.*, 2004) . It is done to uncover some information about the company's future which is not yet available to the rest of the market participants. The key to successful fundamental analysis is not to understand how good a company is, but to assess how underestimated it is (North,1995). For example, shares of some companies which might seem unprofitable at first, may make good profit in the future if they are underestimated by the market and their market value does not accurately represent the company's current state. Furthermore, the assessment of sales and transaction costs offers the financial assessment of overseas tourism as a framework for the unification of tourist study ideas and evaluation (Buckley,1987).

Thus, the main goal of fundamental analysis is to determine companies either underestimated or overestimated by the market, in order to buy or sell their shares, hoping that the gap between the real and market value of its shares will narrow in the future.

### **The tools of fundamental analysis**

Fundamental analysis usually has three components: macroeconomic analysis of the country in general, analysis of the company's industry and, finally, analysis of the company itself. Fundamental analysis can only be considered comprehensive when all of its components are given due consideration ( Hall *et al.*, 2001). There are two approaches to fundamental analysis: top-down forecasting and bottom-up forecasting. In the first case, analysts move from the general to the special (at first analyzing the economy in general, then the country, the industry, and the company), and in the second case, they move from the special to the general ( Hall *et al.*, 2001). Furthermore, one or another stage may be analyzed in more detail. Based on a specific economic situation or some particular factors, a fundamental analyst may decide that evaluation of shares of a particular company requires a particularly close focus on the analysis

of the company's investment attractiveness. In this case, their conclusions will be most significantly influenced by the analysis of the company's financial statements, ratios, management, etc., while the macroeconomic analysis will only slightly affect the final decision on whether to buy the evaluated shares.

In case of the top-down forecasting approach, the first stage of fundamental analysis is the macroeconomic analysis. This stage evaluates the country's internal economic situation and its position in the world economy (Kahn,1998). This analysis takes into consideration not only economic, but also political factors.

There are several indicators which are usually examined at this stage:

- the gross domestic product (GDP) and the gross national income (GNI);
- the job market situation;
- the consumer demand state;
- the benchmark interest rate;
- the level of economic activity;
- the inflation rate;
- political factors.

Thus, conducting a fundamental analysis requires a comprehensive approach which evaluates the situation on three different levels: a country, an industry and a company. The above-mentioned stages of fundamental analysis are widely accepted. However, the practice of their use in Russia has its own specifics. Moreover, fundamental analysis includes several approaches to determining a fair value of company shares. These aspects will be considered in this paper.

## **The role of fundamental analysis in determining the market value of company shares**

### **Performance analysis of Russian stock market participants**

There are no comprehensive and systematized data on the structure of investors on the Russian financial market. This issue is studied by the Bank of Russia, professional participants of the securities market, research centers and self-regulating organizations. The Bank of Russia collects and discloses information on the number of non-state pension funds (NPFs) participants and of the insured persons who have transferred their pension savings to NPFs. In 2015-2017, the Bank of Russia started systematically disclosing information on the number of bank personal accounts and owners of UIF units, and on the customers of professional participants of the securities market (MOEX, 2019). The Moscow Exchange Group regularly publishes information on the number and structure of investors who conduct operations on the stock and derivative markets.

#### **Private investors**

Private investors remain keenly interested in transactions involving securities and derivative financial instruments. Figure 1 shows data on the number of ME customers who are natural persons, stock market residents. The last six quarters have seen a constant growth in the number of unique customers with the average rate of 0.97% per month which is a little higher than the corresponding increase a year ago when the growth rate amounted to about 0.5% per month. We note an increased growth in the number of private investors on the Moscow Exchange in December 2016 (2.1%) against this backdrop, and attribute it to the specifics of using individual investment accounts (IIA). Another rise of growth was seen in the period from March to June 2017.

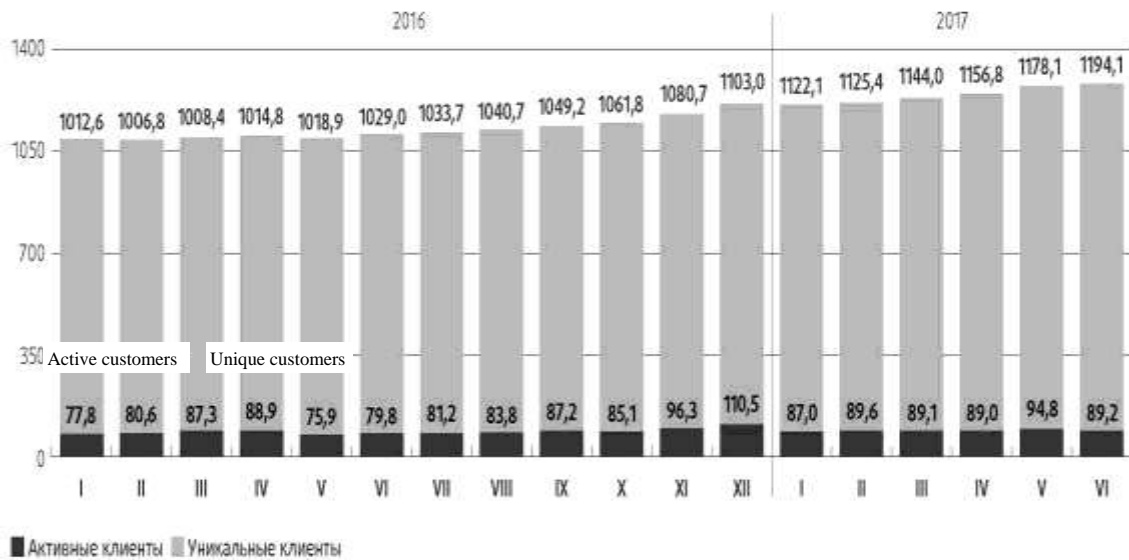


Figure 1. Natural persons and thousand people (MOEX,2019)

In June 2017, the number of unique customers, natural persons on the stock market reached 1,194 thousand people which is 16.0% more than the appropriate number a year ago. Analysis of data on the number of proactive clients on the stock market in the long term shows a seasonal factor. We note an increased activity of private investors on the Moscow Exchange in November-December 2016 and attribute it to the specifics of using IIAs (MOEX,2019). In June 2017, the number of proactive investors, natural persons on the stock market reached 89.2 thousand people which is 11.8% more than the appropriate number a year ago. The average value of active private investors for six months of 2016 and 2017 has increased by 9.9%. Traditionally, private investors are mostly interested in trading in shares, but depending on the market conditions they are sometimes interested in other tools. Data on the structure of transactions by private investors on the Moscow Exchange Group stock market is demonstrated on figure 2.

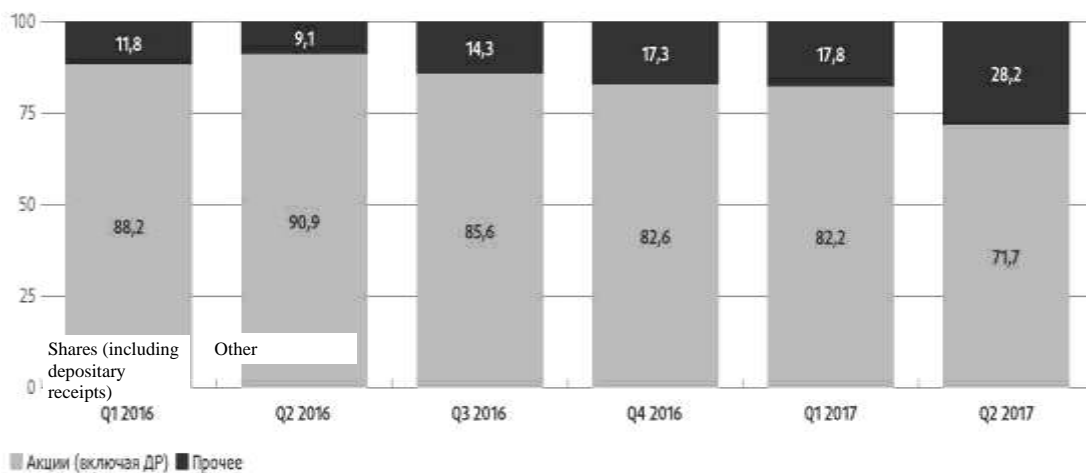
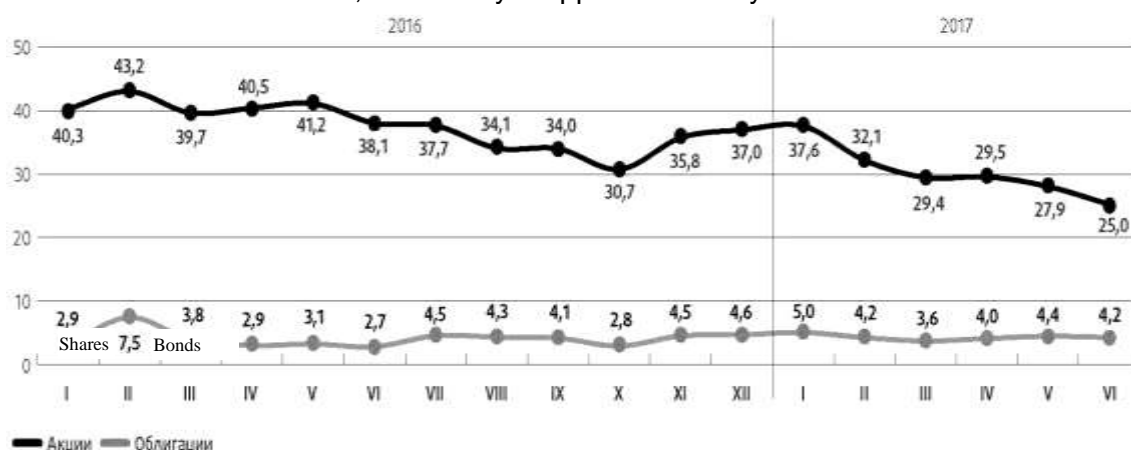


Figure 2. The structure of transactions by natural persons (MOEX, 2019)

In the period from the first quarter of 2016 to the second quarter of 2017, the majority of transactions by private investors still involved shares. At the same time, there is also considerable interest in other tools, especially bonds. Figure 3 shows the share of natural persons in the total Moscow Exchange trading volume in relation to different types of securities. The activity of natural persons in stock trading clearly depends on stock index behavior. This

way, as stock indices increased in October-December 2016, the activity of natural persons rose up to 37% of the total volume of transactions involving shares. As stock indices decreased in the first six months of 2017, the activity dropped to 25% by June.



**Figure 3.** The share of natural persons of Moscow Exchange transactions involving securities ( MOEX,2019)

However, the situation is different on the debt market. The share of natural persons in bond transactions is more stable. In the first half of 2017, the average share of natural persons in the total value of bond transactions amounts to 4.2%. Since 2015, we publish data on individual investment accounts: private investors, Russian residents can open such accounts since early 2015. These accounts offer preferential tax treatment in case of investment term of at least three years. So far, summarized data on opened IIAs can be found only for investors who carry out their transactions in the course of formal trading at the Moscow Exchange Group.

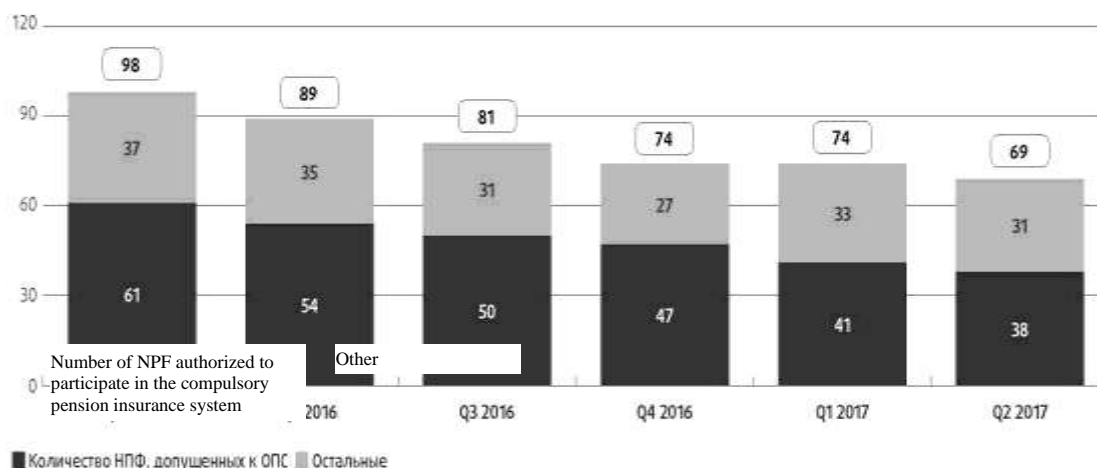
### Unit investment funds

The total number of unit investment funds in the Russian financial market is gradually decreasing. By the end of the second quarter of 2017, the total number of unit investment funds has decreased to 1322. The decrease in the number of closed-end funds turned out to be more dramatic than in case of open-end funds, while interval funds represent a disappearing niche and are not considered separately. Nevertheless, closed-end funds still prevail in the total number of UIFs. It is estimated that 72% of closed-end funds belong to the category of qualified investors funds (Indārs *et al.*, 2019).

In the first half of 2017, the total amount of net assets of unqualified investors funds increased by 17.7 billion rubles, or by 2.9% compared to the first half of 2016. As of June 2017, the NAV of all categories of UIFs for unqualified investors amounted to 625.9 billion rubles with 73.1% of this amount belonging to closed-end funds. Despite the decrease in the number of open-end funds, there is a significant positive trend for them: the NAV of open-end UIFs has increased by 44.9% and reached 162.8 billion rubles.

### Non-state pension funds

The number of non-state pension funds continues to decrease as it clear in Figure 4. Over the past six quarters, the decline has averaged 5.7% per quarter. By the end of the first half of 2017, the total number of NPFs amounted to 74 funds with 41 of them authorized to participate in the compulsory pension insurance system. Voluntary funds from corporate and individual pension plans transferred to NPFs form pension reserves. People entitled to an accumulating part of labor pension can transfer their savings to NPFs which are allowed to participate in the compulsory pension insurance program. Investment resources of NPFs are constantly growing.



**Figure 4.** The number of non-state pension funds ( MOEX,2019)

### Investment of pension savings

Thirty three management companies, including (OPEN JOINT STOCK COMPANY) State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), are authorized to manage pension savings. Being a state management company, Vnesheconombank (VEB) has the right to invest pension savings of Russian citizens in two investment portfolios – an expanded investment portfolio and a government securities portfolio (Ivanov et al.,2015). The expanded portfolio is composed of Russian government bonds, corporate bonds, mortgage-backed securities, bonds of international financial institutions, as well as ruble and foreign currency deposits in Russian credit institutions (Chiodo et al., 2002). The government securities portfolio funds may only be placed in Russian government securities, corporate bonds, and ruble and foreign currency accounts in Russian credit institutions. The investment opportunities of private management companies are greater which is partly due to equity securities. Data on the value of the net assets of pension savings managed by VEB and private management companies are presented in Table 1.

The total value of net assets managed by VEB has almost stopped growing since the beginning of 2016 which might be explained, among other things, by the fact that some of the insured persons stop managing their pension savings by default and decide to transfer them to NPFs. In the second quarter of 2017, the total portfolio of the state management company amounted to 1,787 billion rubles which is 4.2% less than it was a year earlier. The expanded securities portfolio prevails considerably.

**Table 1.** The value of net assets in which pension savings have been invested (MOEX, 2019).

Time period	Vnesheconombank			Private management companies	TOTAL
	Expanded portfolio	Government securities portfolio	TOTAL		
01 2015	2,151.4	12.2	2,163.7	41.2	2,204.9
02 2015	1,835.4	21.5	1,856.9	38.7	1,895.6
03 2015	1,880.6	22.1	1,902.7	39.7	1,942.4
04 2015	1,989.7	22.7	2,012.4	40.6	2,053.0
01 2016	1,780.6	25.9	1,806.6	38.9	1,845.5
02 2016	1,837.8	27.3	1,865.1	40.1	1,905.2

03 2016	1,892.8	27.9	1,920.7	41.4	1,962.1
04 2016	1,939.2	28.8	1,968.0	42.1	2,010.1
01 2017	1,718.3	26.6	1,744.9	39.8	1,784.7
02 2017	1,759.3	27.9	1,787.2	41.4	1,828.6

The rapid growth of the government securities portfolio which was observed in our previous reviews slowed down, and by June 2017, this portfolio had only grown by 2.3%. At the same time, the net assets value of the expanded portfolio had decreased by 4.3% to 1,759 billion rubles.

### Commercial banks

In the total number of professional market participants, licensed brokers, dealers and trustees, 47.7% is occupied by banks (MOEX, 2019). According to the Bank of Russia, in the first quarter of 2017, the total securities portfolio of credit institutions was estimated at 12,673 billion rubles which is 6.2% less than a year before. The amount of debt securities in the portfolio of banks amounted to 9,605 billion rubles, and their share had increased slightly and reached 72.6%. The trend for equity securities in the aggregate portfolio remains positive: in the first quarter of 2017, their volume amounted to 379 billion rubles, and their share in the total portfolio increased up to 2.9%. The volume of discounted bills decreased by 4.3%, while the amount of derivative financial instruments showed a significant decrease of 31.6% (Indārs *et al.*, 2019).

### Non-residents

The total number of non-residents registered on the Moscow Exchange stock market had increased by 5.9% by June 2017 and amounted to 9,805. It is typical that the obvious positive trend of the presence of non-resident natural persons which was observed in the first half of 2016 gave way to a moderate increase of 18.1% in the first half of 2017. At the same time, the number of non-resident legal entities is constantly decreasing: in the first half of 2016, the decline amounted to 11.9%, down to 3,289 legal entities.

Russia is now considered an exciting tourist destination by the growing amount of international visitors. The quality of hotel infrastructure in major Russian cities is estimated positive by international visitors (Sokolov *et al.*, 2019; Givental *et al.*, 2019). The role of tourism in the economy is often seen as confined to hospitality (cafes, hotels, and restaurants) and to outbound and inbound travel agencies and suppliers, which in many nations are the main service industries. Moreover, local communities can profit from the financial, social, cultural and environmental possibilities created by the sector through poor tourism (Ashley & Roe, 2002; Mudzengi *et al.*, 2018).

It is necessary to pay attention to the fact that in the first half of 2017, except for the temporary drop in March-April, equity securities demand from non-residents remained at the level observed at the end of 2016, or about 37% of the total volume of transactions. Despite the moderate growth rates of Russian economy and the beginning of a diplomatic crisis with the United States, investors provide conservative estimates of the risk-reward ratio of Russian issuers. However, further worsening of US-Russia relations, i.e. expansion of sanctions, may lead to foreign investors leaving the Russian financial market (Kovzanadze, 2018).

### Fundamental analysis of the Russian stock market

In 2017, the global economic growth amounted only to 2.2% which is the lowest rate since the Great Recession of 2009. The main reasons why the global economy is so slow are the low

global investment level, reduced world trade growth, slowed labor productivity growth and high levels of debt. Since mid-2015, low commodity prices have worsened the impact of these factors in many commodity-exporting countries, while conflicts and geopolitical tensions continue to affect economic prospects in some regions .

In transition countries, economic growth is expected to be 1.4% in 2018 after two consecutive years of recession, as this region has mostly adapted to the terms-of-trade shock which had negative economic consequences in a number of countries in 2015-2016. In developing commodity-exporting countries, a slight economic growth recovery is also expected as a result of stabilization of commodity prices and weakening of the inflationary pressure which was caused by a dramatic weakening of exchange rates. East and South Asia will continue to grow faster than other regions due to steady domestic demand and greater opportunities to pursue a pro-growth macroeconomic policy. The forecast is still subject to considerable uncertainties and downward risks. In case of such risks, the predicted modest growth acceleration will not occur (Caporale *et al.*, 2019).

Given the close relationship between demand, investment, trade and economic performance, the absence of coordinated policy measures aimed at recovery of investment and promotion of labor productivity growth can make this prolonged period of weak global growth last indefinitely. Such a situation would create obstacles to the achievement of the Sustainable Development Goals (SDGs), in particular the goals of ending extreme poverty and creating decent employment for all (Zafar, 2007).

The inclusion of institutional investments in the sustainable development context requires changes in the incentive structure. In order to align investment with sustainable development goals, including building a sustainable infrastructure, it is necessary to establish a political and regulatory framework to promote changes in the investment structure. The current FDI models are not fully aligned with sustainable development, and most of the latest flows were focused on cross-border mergers and acquisitions which have only limited effects on employment and development (Indārs *et al.*, 2019).

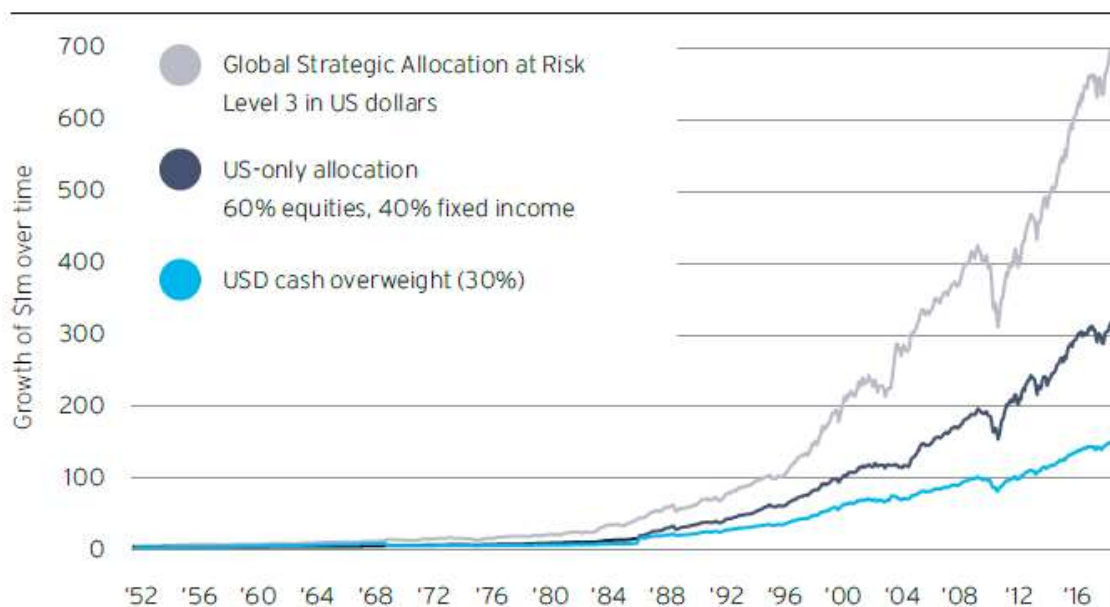
Institutional investors investment is characterized by a short-alignment of capital market incentives with long-term investments in sustainable development and promotion of direct investment can be achieved through a financial management architecture and supported by a combination of different economic policy measures, including external pricing, efficient regulatory framework, mixed financing and administration of guarantees, and intermediation in private investment through collective intermediaries, such as development banks. In our opinion, the global economic growth will accelerate in 2018. Investors need to take this opportunity to distribute their funds in a truly global way. Global asset allocation can produce a higher income in the long run while minimizing risks (Liulov *et al.*, 2013).

Investment products and strategies may not be suitable for all investors. Products and strategies discussed herein may have eligibility requirements that must be met prior to investing. Each investor should carefully view the risks associated with the investment and make a determination based upon the investor's own particular circumstances, that the investment is consistent with the investor's objective. Products and strategies described herein involve risk and may not perform as described (Zhabin *et al.*, 2015).

Analysis is presented for the fundamental asset allocation principles and the best investment methods that have helped keep some families among the world's wealthiest for generations. The families who have managed to remain among the world's wealthiest over several generations have typically built great investment portfolios following the fundamental principles of asset allocation, which distinguished them from those who have drifted below the wealthiest (Zhabin *et al.*, 2015). By investing in a broad range of different asset classes across the world, it is possible to lower a portfolio's risk while also potentially enhancing its returns. Over time, having large weightings to cash acts as a significant drag upon both portfolio returns and the investor's level of wealth. Our studies show that over the last 65 years, if an investor held a



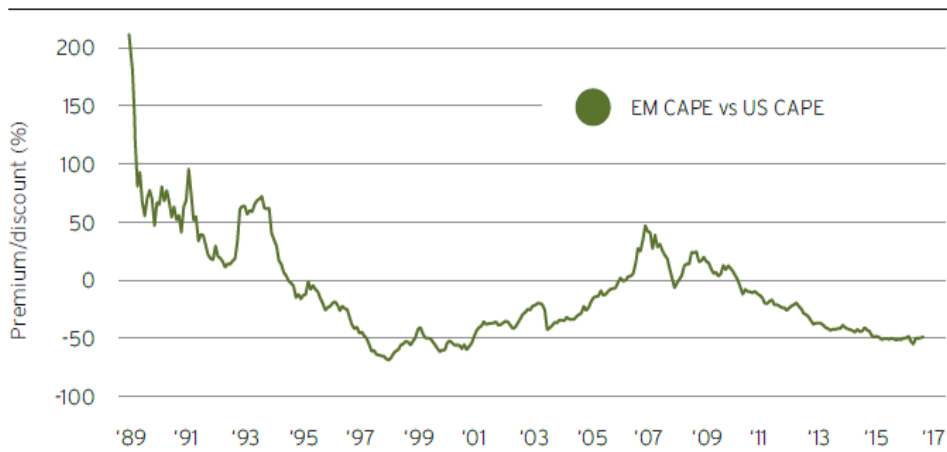
30% allocation to cash, it would reduce the value of a fully invested portfolio by 55% as it showing in figure 5. It is recommended to take a quantitative approach to determine your future cash needs under various scenarios, drawing upon the analysis of our Global Investment Lab.



**Figure 5.** Global multi-asset allocation, US-only allocation, cash overweight allocation (MOEX, 2019).

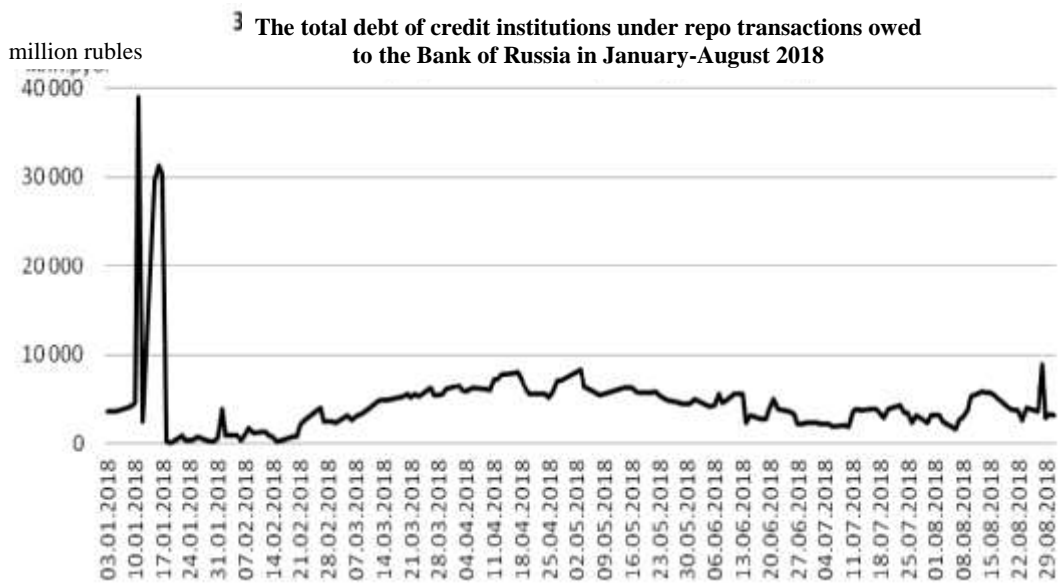
Global multi-asset class diversification itself is the most effective form of risk reduction and mitigation over time. As figure 5 showed the area generated more than twice the gain of the strongest single region, the US. As the vast majority of economic downturns are regional, rather than global, investors take too much local risk and their portfolio returns underperform during regional crises. For some clients, however, hedging strategies may help continuously keep risky assets in the portfolio while also helping to shield wealth from large drawdowns. With many measures of market volatility falling to record lows in 2017, the cost of hedges has also plunged.

After the strong gains over several years, some experts may be tempted to believe the best for emerging markets is already behind us. Our view, though, is that emerging markets may offer long-term outperformance potential and that many investors may not have enough emerging market instruments in their portfolios. Overall, EM shares and fixed income may be considered cheap compared to their developed counterparts, as are the currencies in which they are denominated. EM shares trade on a discount of around 40% to US shares as revealed in figure 6. CAPE stands for cyclically-adjusted price/earnings ratio, which compares the present equity price with the ten-year average of inflation-adjusted earnings.



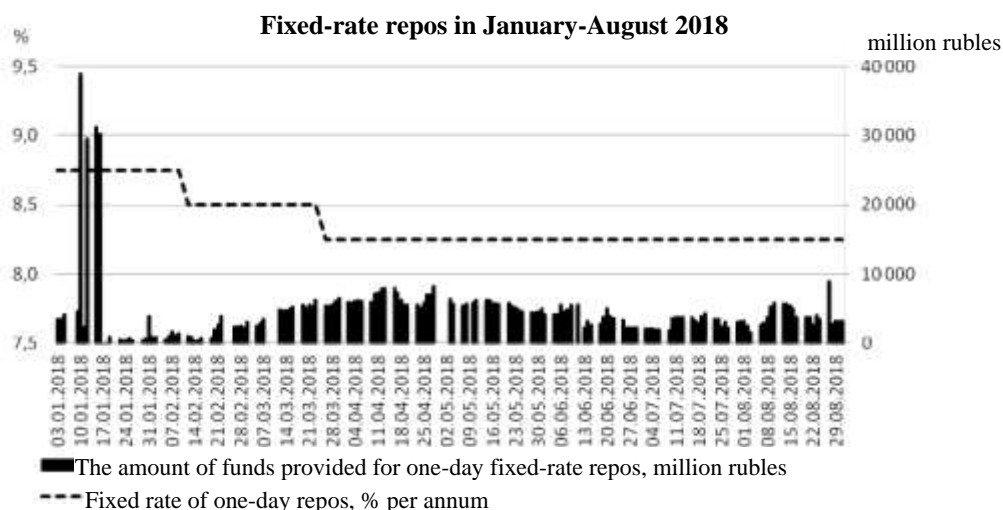
**Figure 6.** EM shares are relatively cheap (OMEX, 2019)

The currency liquidity situation remained difficult in August 2018 despite the fact the Ministry of Finance temporarily stopped buying foreign currency. The outflow of non-resident funds from the Russian market and capital withdrawal continued. In August 2018, the total debt of credit institutions under repo transactions owed to the Bank of Russia increased from 3.2 billion rubles, as it clear in figure 7.



**Figure 7.** The total debt of credit institutions under repo transactions owed to the Bank of Russia (MOEX, 2019)

The volume of repo transactions with a Central Clearing Counterparty (CCP) reached 19.3 trillion rubles. At the same time, the volume of CCP repos with clearing participation certificates (CPCs) reached 3.5 trillion rubles, and the volume of CCP deposit operations amounted to 2.2 trillion rubles. The volume of classic repos with the Bank of Russia amounted to 90 billion rubles, compared to 14.4 trillion rubles in August 2017 (Paddrick, et al., 2019). The fixed repo transaction rate for 2018 decreased: as of December 18, 2017, it was 8.75%, from February 12, 2018 – 8.5%, from March 26, 2018 – 8.25% as it showing in figure 8. The average daily volume of operations in August 2018 amounted to 4.1 billion rubles.



**Figure 8.** Fixed-rate repos (MOEX, 2019)

The Moscow Exchange to become one of the world’s top three exchanges according to the International Swaps and Derivatives Association (Definitions, 2003). The volume of trade in Brent crude futures contracts amounted to over 107 million contracts in the second quarter of 2018. At the end of the first half of the year, the volume of Moscow Exchange open positions on Brent crude futures contracts reached a historical high of 55.4 billion rubles.

The volume of trade in futures contracts amounted to 128.3 million contract , the volume of option contracts – 6.2 million contracts (Mikhaylov *et al.*, 2019). The average daily trading volume was 363.8 billion rubles. At the end of the month, the volume of open positions on the derivatives market amounted to 636.3 billion rubles.

The volume of FX market trading fell slightly in comparison to July 2018 to the value of 31.4 trillion rubles. The volume of trading in spot FX instruments increased up to 9 trillion rubles. The average daily trading volume on the FX market amounted to 1,363.4 billion rubles or 20.7 billion US dollars, compared to 1,322.1 billion rubles in (Semin *et al.*, 2019). The daily average volume in trade is shown in Table 2.

**Table 2.** The average daily volume of trade (MOEX, 2019)

Months	August 2018	July 2018	June 2018	May 2018	April 2018	March 2018	February 2018	January 2018
On the market of stock, receipts and shares	39	35.6	36.8	39	59.9	42.1	48.1	41.2
On the bond Market	77.8	83.7	80.5	82.6	105	107.1	72.3	72.3
On the foreign currency market	1,363.4	1,348.5	1,440.2	1,446.2	1,411	1,492.1	1,264	1,264

The volume of trading in gold and silver increased significantly and reached 12.1 billion rubles for gold. The silver trading volume amounted to 17.2 million rubles. The volume of gold spot trading amounted to 2.4 billion rubles. The average daily trading volume was 528.8 million rubles.

Local highs of the Moscow Exchange indices (MOEX) and RTS were observed respectively (MOEX, 2019). Local lows were reached in the second half of the month at 2,225.12 and 1,043.99 point respectively (MOEX, 2019). Moreover, The trading volume of agricultural products also increased significantly, both the total value and the daily average. The average daily trading volume was 265.2 million rubles. Table 3 shows the monthly trading in different goods.

**Table 3.** Monthly dynamics of trading in precious metals and agricultural products (MOEX, 2019)

Months	Gold, kg	Silver, kg	Total value of trading in metals, bln. rubles	Total value of trading in agricultural products (grain, sugar), bln. rubles
August 2018	4800	540.3	12.2 (18.2 in August 2017)	6,100 (500 in August 2017)
July 2018	3900	280.1	9.9 (11.3 billion rubles in July 2017)	5200
June 2018	2040	338.2	8.8 (8.1 billion rubles in June 2017)	3900
May 2018	3200	787.3	8.3 (8.2 billion rubles in May 2017)	3100
April 2018	2700	904.8	7.3 billion rubles (10.2 billion rubles in April 2017)	3100
March 2018	2700	219	6.7 (9.1 billion rubles in March 2017)	2800
February 2018	2500	961	6.1 (8.6 billion rubles in February 2017)	1400
January 2018	2800	1500	6.9 (4.7 in January 2017)	1100
December 2017	3400	121.8	8.1	1057.1
November 2017	3940	175.9	15	972.8
August 2014	984.7	435.5	n/a	n/a

The dynamics of the sectoral Moscow Exchange indices are characterized by both significant negative and positive results for individual industries. In August, the following industry indices showed positive return and dynamics: Chemical production (11.65%), oil and gas (6.08%), metals and mining (2.47%), telecommunications (0.83%). The following industry indices showed negative return and dynamics (worse than the market average in August): Banks and finance (-8.57%), electric-power industry (-8.15%), consumer goods and trade (-2.37%), transport (-4.97%), innovations (-3.54%).

## Conclusion

The study conducted in this paper is based on a large number of relevant materials. This paper examined the essence of fundamental analysis as the main method for determining a fair, intrinsic company value and identifying undervalued stocks. It also identified the main advantages and disadvantages of fundamental analysis. A conclusion was made that the main advantage of fundamental analysis is its focus on long-term investment. In addition, the paper also identified the main groups of investors who use the results of fundamental analysis.

A conclusion was made that this type of analysis is focused on strategic investors. The main point of the fundamental analysis is to compare the fair value of a company with its financial characteristics: its prospects and the nature of growth or decline. If the market value significantly deviates from the intrinsic company value, it is the result of an under- or overestimation of the company's shares by the market. This is the basis of long-term investment strategy. Accordingly, the use of fundamental analysis will prove its value when, with all other things and risks being equal, the investor receives a greater long-term return than the market. Moreover, the costs of implementing such an analysis should be lower than the resulting profit.

In order to achieve this, it is necessary to consider analytical forecasts provided by several fundamental analysts, or to employ a group of analysts. For all the reasons mentioned earlier, high-quality application of fundamental analysis in today's situation is typical mainly of institutional investors. Moreover, the results of fundamental analysis should be adjusted with the help of technical analysis. However, there is no contradiction. Only a combination of different methods and constant comparison of their results will lead to the most accurate final conclusions.

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