

U.S. Compromise Perks Up Stock Markets

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Obama called the default threat a "crisis Washington imposed on the rest of America," but it was also felt abroad. **Jonathan Ernst**

Moscow's bourses acted in line with other international markets Monday, rising sharply on the news that Republicans and Democrats had finalized a last minute deal to avoid a U.S. debt default that experts had tagged as "armageddon."

The dollar-denominated MICEX rose 1.73 percent in the first 3 1/2 hours of trading, while the ruble-denominated RTS rose 2.02 percent. Oil also climbed, but traditional "safe havens" for investors in troubled times suffered, with gold dropping almost 1 percent in Asian trading.

Though there was never much belief among investors that U.S. politicians would be reckless enough to allow a default, a global "relief rally" had been widely anticipated as assets tracked sideways in the run-up to the Aug. 2 default deadline.

Prime Minister Vladimir Putin revealed himself to be an exception to this consensus Monday when he told participants at the annual Seliger camp in the Tver region that some in the United States were actually seeking a default, Interfax reported.

"The U.S. is interested in [a default] and in dollar devaluation so as to create better export conditions," Putin said.

Under the agreement, announced early Monday morning Moscow time by President Barack Obama, the U.S. debt ceiling will be raised by \$2.4 trillion in two stages and the budget deficit reduced by a similar amount over the next decade. It will be put to a vote in Congress on Monday evening in Washington.

Some analysts speculated that the nature of the debt deal and the spending cuts it includes will harm the fragile U.S. economic recovery. The United States reported weak second-quarter growth figures Friday and revised first-quarter figures downward to 0.4 percent.

A slowdown in an already depressed U.S. economy would not just be a problem for the United States but would create problems for Russia, said Ivan Tchakarov, Renaissance Capital chief economist for Russia and the CIS.

"The magnitude, scope and scale of the cuts at the federal level which the Republicans exacted will certainly have an immediate impact on the economy and, by implication, will effect the global economy and Russia," he said.

Tchakarov said a 1 percent fall in U.S. growth could translate to a 2 percent fall in Russia, which is heavily dependent on a buoyant international economy sustaining a high oil price.

On the back of the U.S. news, Renaissance Capital is likely to downgrade its Russian growth forecast by up to 1 percent, to between 4 and 4.5 percent, he added.

Putin criticized Washington for its economic irresponsibility. The United States "does not live within its means and is laying part of the burden of its problems on the entire global economy — parasitizing on the global economy and on the dollar monopoly," he said.

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