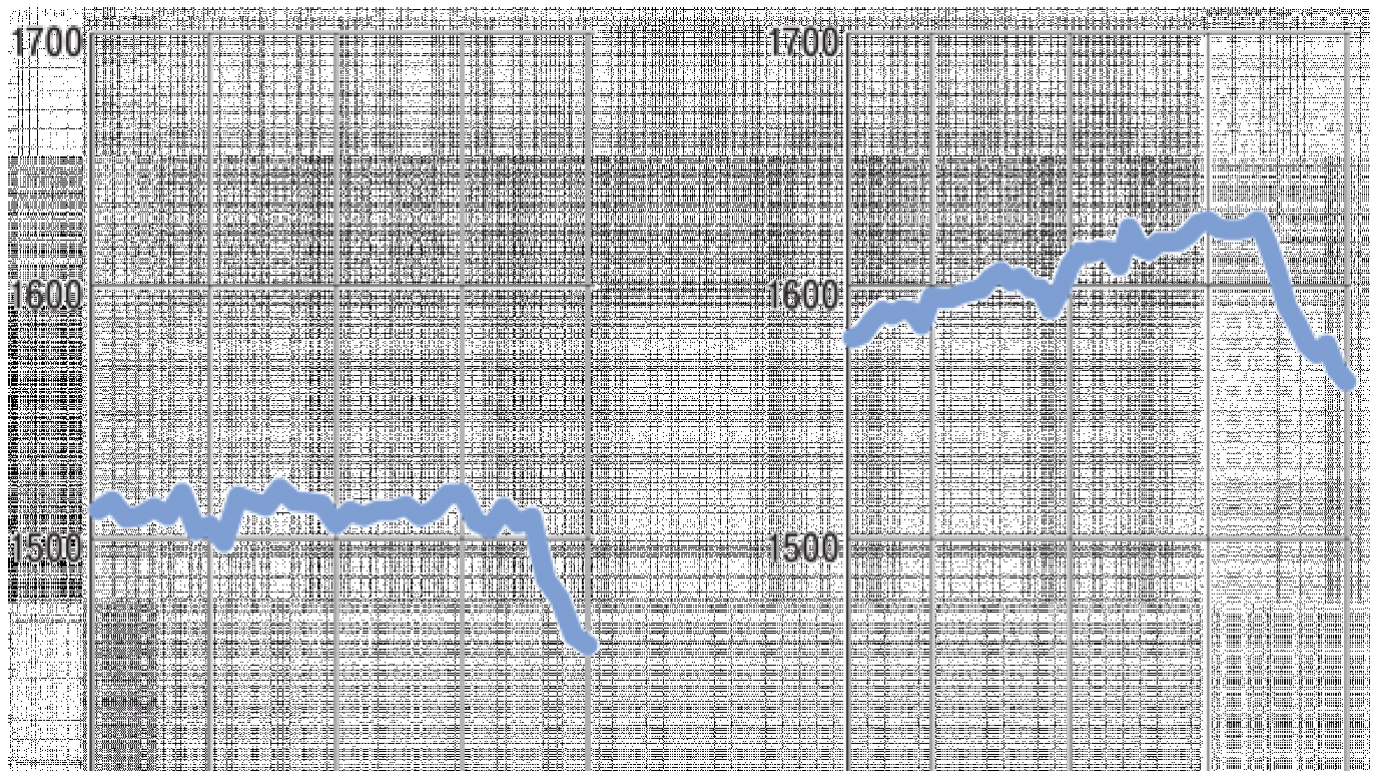


Stocks Drop on Moscow Clashes

By [Howard Amos](#)

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The lukewarm market greeting for Vladimir Putin's election win soured badly on Tuesday when stocks nosedived the morning after an opposition protest in Moscow was forcefully dispersed by thousands of riot police.

The MICEX Index fell 3.9 percent to 1,562.19 at Tuesday's close, breaking through the psychological 1,600 barrier and recording its biggest drop since Dec. 9 when the country was bracing itself for the first in a series of mass demonstrations. The dollar-denominated RTS Index closed down 4.3 percent at 1,676.48.

Declines wiped out the small gains made a day earlier as Moscow's bourses appeared to react positively to the presidential election result. The MICEX Index climbed 1.1 percent on Monday and closed at a seven-month high on the news that Putin won almost 64 percent of the popular vote.

Tuesday's tumble was a sharp reversal of steady gains this year that have added almost 30 percent to Russia's stock exchanges. Experts warned that there could be more to come.

"The market has overheated ... and we are falling," said Ilya Fedotov, a stock market analyst at Veles Capital. "Three and a half percent is not the end, and we could lose another 7 [percent] or 10 percent."

More than 12,000 Interior Ministry troops were deployed in the capital following the election, according to Interfax, and about 250 protesters were briefly detained at an anti-Putin rally that ended in confrontation near the Kremlin late Monday.

But the markets were more spooked by a lack of answers to questions about Russia's economic trajectory in the post-election period than by protests, said Bruce Bower, a partner at Verno Capital.

"This is a clear case of buying the rumor and selling the news," he said. "The market had already factored in that Putin would win, so now the election has happened the question is, 'What now?'"

"There was some roughness by OMON [riot police], but it did not turn into a violent crackdown," he said in reference to Monday evening's events. "Putin has more support than the opposition is pretending and because he has more support he is less likely to initiate reforms."

HSBC's chief economist Alexander Morozov said that although the political news was negative for the market, there were more important factors. He cited a report released Monday by credit-rating agency Fitch that hinted Russia could be in line for a downgrade.

"Fitch Ratings is closely monitoring how quickly the new government will act to reform the Russian economy and hasten fiscal consolidation," the body said, adding that how middle-class protests are handled by the regime would also be important.

"Fiscal and political risks were both factors in our decision to change our outlook on Russia's rating to stable from positive in January," the Fitch statement said.

Global macroeconomics were also at play during Tuesday's declines. China's cutting its growth target and a persistently high oil price were the most significant factors weighing on the market, said Igor Dombrovan, Russia director of Saxo Bank.

Aluminum maker RusAl dropped 6.4 percent during the day's trading, while Norilsk Nickel sank 4.8 percent and the country's biggest producer of crude oil, Rosneft, was down 3.5 percent. State-controlled banking giant VTB slid 4.8 percent.

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