

Markets Feel Repercussions of Ukraine Turmoil

By [The Moscow Times](#)

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Russian stocks plunged for a second day and the ruble sank to a five-year low against the dollar on Thursday, as investors took fright at unrest in Ukraine's Crimea region and saber-rattling by neighboring Russia.

The dollar-denominated RTS index briefly shed more than 3 percent on the day, after Russian media reported that ousted President Viktor Yanukovich, wanted in Ukraine for mass murder, had been offered sanctuary in Russia.

Russian stocks rallied early but fell sharply after midday as the Russian and Ukrainian governments both issued strong statements warning against aggression.

Stock prices regained some composure later in the afternoon, bolstered by the Ukrainian parliament's approval of a new coalition government and a Russian statement that it would stick to international agreements on the use of its Black Sea Fleet.

The RTS was down 1.95 percent at the end of the day at 1,261 points. The ruble-denominated MICEX index was down 1.4 percent at 1,448 points.

Both indexes also fell the day before.

"Literally every 15 minutes there is news about Ukraine, each report worse than the last, therefore people are selling Russian shares indiscriminately," said Dmitry Matyukhin, equity salesman at Alfa Bank. "The situation is heating up, and any political declarations will move share prices."

The focus of tension over Ukraine has shifted to the Crimea peninsula in the south, which has a largely Russian population and is the base of Russia's Black Sea fleet. On Thursday, armed men seized Crimean government buildings.

"The concern around Crimea is perhaps one of the main themes for Russian investors," Zerich brokerage analyst Oleg Dushin said in a morning note.

Gazprom, which fell 2 percent on Wednesday, was down 1.8 by the end of Thursday. Sberbank fell 2.45 percent after losing 1.9 percent on Wednesday. The ruble also continued to decline, hitting a new five-year low against the dollar and a new historic low against a dollar-euro basket. The basket rate for Friday was finally set at 42.03.

"The driver for the Russian market remains Ukraine, and without the Ukrainian events the ruble would be worth more than now," said Igor Akinshin, a forex trader at Alfa Bank.

The Central Bank ruble-to-dollar rate for Friday was set at 36.05 at the end of the day, while earlier, it reached 36.25 on the Moscow Exchange, its lowest since March 2009.

The ruble-to-euro rate was set at 49.35 for Friday, having reached its all-time low of 49.50 on the exchange on Wednesday.

ING economist Dmitry Polevoy said in a note that the ruble's weakness was the result of the situation in Ukraine as well as foreign media coverage of events. He noted that other emerging market and commodity currencies have stabilized.

"Pressure on the ruble is being strengthened by Western media reports about possible military intervention by Russia," he wrote.

"We think that Russia is not considering this option seriously and the chances of it will only rise if in the eastern and southern regions of Ukraine, Russian citizens start to perish."

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