

Stock Markets Nervous Over Crimean Referendum, Economic Sanctions

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Fears of Russia's possible economic isolation amid the political crisis in Ukraine have been causing investors to pull out their funds from the domestic stock exchange market, while international markets have been shaky as well.

By midday on Friday the ruble-denominated MICEX fell 5 percent and the dollar-denominated RTS was down 5.5 percent, a low since August 2009. Both, however, later regained part of their value. By the end of the main trading day MICEX closed down 0.9 percent and RTS saw a decline of 1.4 percent.

The rebound, however, did nothing to improve the market's long-term downward trend. Since the beginning of March MICEX has lost 17 percent, causing financial analysts to remember 2009, when over a few months the index lost some 70 percent of its value.

Global markets slipped as well. Japan's Nikkei closed down 3.3 percent, ending the week 6

percent lower than when it opened on Monday. The S&P 500 lost 0.37 percent and Dow Jones was down 0.27 percent on Friday, overall having its worst single week since January. Britain's main indicator, the FTSE 100, declined by 0.4 percent on Friday, its worst week since June 2013. The German DAX saw a slight growth of 0.4 percent but lost 3.2 percent since Monday, putting it among the world's poorest performers.

While weak industrial output in China contributed in part to the weight on global markets, Russia's indices were mostly affected by the uncertainty in Ukraine and the political results of the referendum scheduled for Sunday, financial analysts said.

"Everything will now depend on the geopolitical situation ... and how much Russia may be affected by the possible economic sanctions is yet unknown," said Roman Osmanov, chief analyst for global markets at Promsvyazbank.

Economic Development Minister Alexei Ulyukayev said on Saturday in an interview with *Rossia 24* that he did not expect a fall in the Russian stock market after the referendum in Crimea. "The markets have already priced in [the risks]. They sell on rumors and buy on facts," he said, Reuters reported.

Some analysts supported his position.

"We expect positive news over the weekend that should result in the recovery on the Russian stock exchange at the beginning of next week," said Anton Soroko, an analyst at Finam investment company.

Some of the funds have already started to come back to the market. Emerging Markets Portfolio Fund Research revealed an injection of \$133 million in capital to funds investing in the Russian stock exchange from March 6 to 12, up from \$59 million a week before.

"An inflow of capital to funds investing in Russia means that despite the uneasy political situation investors are interested in the Russian assets which can be bought at a lower price," Soroko said, adding that he expects this to be a positive factor in the future.

Osmanov, however, was skeptical. "The market may show some rebounds but overall, without political stabilization, it will continue to decline. I would not expect a strong buying trend until MICEX hits a bottom of about 1,000 points," he said.

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