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Russian Stocks Cement Gains as Putin Orders Troops Back to Bases

By The Moscow Times

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The MICEX index has reached its highest point since the Federation Council in March voted to give Putin permission to use military intervention in Ukraine.

Russian assets added to their gains on Monday after President Vladimir Putin ordered troops to return to their bases after holding drills near the Ukraine border.

At the close of trading, the ruble-denominated MICEX index was up 1.8 percent to 1,417 points on the news, after trading around 0.7 percent higher earlier in the session. The dollar-denominated RTS performed even more strongly, doubling its early gains to finish the day up 2.4 percent at 1,292 points.

Putin's office said he had issued the order because the spring maneuvers were over. The move could also be intended to ease tension in Russia's standoff with the West over Ukraine before Kiev holds a presidential election on Sunday.

A NATO officer in Brussels said there had been no sign of the troops returning to their bases, however.

The MICEX index is trading above 1,400 points for the first time since March 3, when stocks plummeted after parliament rubber-stamped Putin's right to intervene militarily in Ukraine.

The ruble firmed 0.6 percent against the dollar and the euro, trading at 34.54 and 47.38, respectively, at 6 p.m. in Moscow — its strongest since early February.

That left the ruble 0.6 percent stronger at 40.3 against the dollar-euro basket that the Central Bank uses to guide the ruble's nominal exchange rate.

Investors in Russian assets are also awaiting Putin's visit to China on Tuesday and Wednesday. They are keen to see whether the two sides sign a long-term contract for Russia to supply gas.

"The confrontation between Russia and the West because of the Ukrainian crisis has significantly increased the risks of investing in Russian securities and the signing of the contract with China would give a push for Gazprom shares and may also serve as an impetus for the growth in other stocks," Anastasia Sosnova, an analyst at Rossiyski Capital, wrote in a note.

Also in the spotlight this week will be Russia's annual economic forum in the northern city of St. Petersburg, a traditional showcase for investment opportunities in Russia.

But many Western chief executives have declined to attend, giving in to pressure from the U.S. to distance themselves from Russia over Moscow's annexation of Crimea and its continued involvement in Ukraine's affairs.

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