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Russian Stocks Dive on Ukraine Violence

By The Moscow Times

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Russian shares dived Tuesday following an unprecedented attack by Ukrainian troops on armed pro-Russian separatists in Donetsk in eastern Ukraine.

The ruble-denominated MICEX index was down 2.2 percent at 1,417 points at the end of trading in Moscow and the dollar-based RTS index fell 2.8 percent to 1,298 points.

The ruble slipped from a near four-month high.

More than 50 pro-Russian rebels were killed in two days of fierce fighting in Donetsk after Petro Poroshenko, Ukraine's newly-elected president, said he wanted to crush the revolt once and for all.

"It is clear President Poroshenko is not striving for contact with the Russian leadership, and in the east of the country armed clashes are continuing. It is difficult for the market to go on rising," Andrei Yarnykh, an equities salesman at UBS, said.

Russian equities have rallied strongly in the past few weeks on some signs of an easing of tensions over Ukraine and a string of long-term deals signed during President Vladimir Putin's visit to China. The MICEX is still up some 8 percent in May.

"The optimism has abruptly left our market. It is still early to talk about peace talks between Russia and Ukraine. It seems we will see a correction lower in June," Sergei Filchenkov, a salesman at Metropol, said.

On another point of conflict between Kiev and Moscow, there appeared to be no progress on Tuesday on ending a multibillion-dollar dispute over gas payments.

Also weighing on sentiment, Russia's No. 2 bank VTB reported a 98 percent fall in first-quarter net profit, reflecting the economic fallout from the Ukraine crisis. VTB shares were down 3.2 percent.

In the currency markets, the ruble weakened 0.5 percent against the dollar-euro basket to 40.01 by 7 p.m. in Moscow after Russian companies finished paying the mineral extraction tax to the state budget.

Commodities companies, which earn the bulk of their earnings in foreign currency, have to buy rubles in the run-up to the monthly tax deadline, supporting the ruble.

The currency eased 0.6 percent against the dollar to 34.40 and 0.64 percent against the euro to 46.93.

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