

Russian Stocks Drop in Volatile Trading Before EU Sanctions Decision

By [The Moscow Times](#)

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The dollar-denominated RTS index was down 0.6 percent. The ruble-traded MICEX fell 0.2 percent.

Russian stocks dipped in volatile trade on Tuesday, extending the previous day's huge losses as investors awaited a broad round of economic sanctions that the European Union is preparing to impose on Russia over the Ukraine crisis.

The dollar-denominated RTS index was down 0.6 percent at 1,201.2 points at 11:40 a.m. after falling 3 percent on Monday. The ruble-traded MICEX fell 0.2 percent to 1,359.2 points.

"At the moment we don't know what the sanctions will be and which companies they will effect. If they are real sectoral sanctions as promised, then we will see a completely different valuation for all companies in those sectors. They will not look cheap at current levels," said Geldy Soyunov, senior analyst at Alfa Bank in Moscow.

EU diplomats reached a preliminary agreement on Monday on a list of associates of Russian

President Vladimir Putin and companies that will face sanctions as part of tougher measures over Moscow's actions in Ukraine, EU sources said.

Diplomats will hold more talks on Tuesday to try to forge agreement on broader economic sanctions on Russia, targeting capital markets, defense and sensitive technology, provided all 28 EU member states can agree.

"Until we know how the sanctions will look, we will see high volatility. Volumes are very low, they have fallen on the MICEX by about a third since June," Soyunov said, citing the summer holiday period.

Shares in Russia's two largest banks, Sberbank and VTB, underperformed the broader market on fears that they could be included in the expanded EU sanctions. VTB slipped 1 percent by 11:40 a.m., while Sberbank traded 0.8 percent lower on the MICEX.

"If Sberbank or VTB are blocked from accessing European capital markets, then their net interest margin will collapse and we will see a different valuation by price to book," Soyunov said.

The ruble extended its losses, slipping 0.3 percent against the dollar to 35.65. Against the euro, the Russian currency fell 0.38 percent to 47.89.

That left the ruble 0.32 percent weaker at 41.16 versus the dollar-euro basket the Central Bank uses to guide the ruble's nominal exchange rate after touching its lowest level since mid-May earlier on Tuesday.

See also:

[Investors Rush to Sell Russian Corporate Bonds Before EU Sanctions](#)

[EU Agrees Preliminary Deal to Expand Sanctions List Over Ukraine](#)

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