

# Import Ban Slams Russian Stocks and Currency, Sends Bond Yields Rocketing

By [The Moscow Times](#)

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LONDON — Russian bond yields surged to multi-year highs on Thursday as food import restrictions fanned inflation fears, while the ruble hit new 4-1/2 month lows and blue-chip stocks sank still further.

President Vladimir Putin ordered food import restrictions on countries that have imposed sanctions on Moscow over the Ukraine crisis, a decision that will hurt the West but will also exacerbate Russian inflation and deepen its isolation.

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Russian stocks hit three month lows, with shares in food retailer Magnit — a favorite with foreign equity investors — slumping more than 3 percent after news of the food import ban.

Russian bonds took a heavy hit from the news, with some analysts estimating the import ban would add 1.5 percentage points to annual inflation, already running around 7.5 percent year-on-year.

Ten-year yields hit 4-1/2-month highs, having risen 150 basis points this month, while the five-year yields were at two-year highs.

Alfa Bank analyst Natalia Orlova said earlier meat import bans had already led to an 11 percent year-on-year increase in meat prices. Ruble weakness — the currency is down 10 percent this year so far — would add to pressures, she added.

"The ban on food imports ... requires a revisiting of the short-term and medium-term inflation outlook, which has deteriorated significantly in recent months," Orlova said.

However, she predicted the Central Bank would not raise rates in response. "As the inflation shock is largely non-monetary, we believe that ability to repress it through monetary instruments will be limited, and we see an inflation target at 8 percent for 2015."

Shares also felt the heat from government plans to raid pension savings for the second year in a row, with state-run banks Sberbank and VTB down 2 percent.

The losses have rippled outwards, with food companies' shares dipping across Europe. Polish stocks in particular fell more than 1 percent, with meat producer Duda down 0.3 percent, extending Wednesday's 1.3 percent fall.

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