

Russian Shares Rally After Big Banks Escape Ejection From Global Benchmark Index

By [The Moscow Times](#)

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Russian shares rose on Monday after stock-index compiler MSCI kept Russia's two largest banks, Sberbank and VTB, in its MSCI Russia index, and as investors concluded international tension over Ukraine were easing.

At 7 p.m in Moscow, the dollar-denominated RTS index was up 2.8 percent to 1,204 points, while its ruble-based peer MICEX traded 1.8 percent higher at 1,372 points.

Sberbank and VTB outperformed the broader market, rising by 5 percent and 3.9 percent, respectively, on MICEX.

"Given the decision by MSCI not to exclude the shares of Sberbank and VTB from its indexes, as well as the lack of negative news from Ukraine, we expect the Russian stock market to recover at the start of this week," said Yevgeny Loktyukhov, an analyst at Promsvyazbank.

MSCI held consultations with investors on whether to exclude the banks from its Russia index after the European Union banned all EU nationals and companies from buying or selling new bonds, equity or other financial instruments with a maturity of more than 90 days issued by Sberbank, VTB and three other major state-owned Russian banks.

MSCI indexes are used by many investment funds to determine their weightings, so exclusion from the Russia index could have significantly reduced demand for the banks' shares.

Russian assets were also supported by comments from President Vladimir Putin's spokesman, who said that Russia would only send humanitarian aid to Ukraine — where pro-Russian separatists are fighting government forces in the east of the country — if all parties agreed to the move.

Ukraine has repeatedly said it fears an invasion from Russia under the cover of a humanitarian operation, and Western powers have threatened more sanctions should Russia intervene.

Russia's Defense Ministry also said late Friday that it had finished military exercises in southern Russia that the United States had criticized as a "provocative" step.

Despite the apparently conciliatory gestures, however, fierce fighting in Ukraine and threats of sanctions by Kiev against Russia, which may include cutting off energy supplies to EU customers, mean markets are likely to remain volatile.

"Considering the strengthening of Kiev's position in the southeast of Ukraine and the threats to stop transit of Russian oil and gas to Europe, we expect a continuation of high tensions. At the same time, Moscow's reaction looks unclear," BCS analyst Mark Bradford said in a note.

See also:

[European Banks Battle to Keep Russian Clients Amid Sanction Lending Freeze](#)

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