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Russian Bonds, Ruble Drop After Moody's Cuts Credit Rating to Junk

By The Moscow Times

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A Moody's sign on the 7 World Trade Center tower is photographed in New York.

LONDON — Russian dollar bonds fell as much 2.5 cents on Monday after Moody's became the second agency to cut their credit rating to junk while Ukrainian debt also fell, hitting new record lows.

Russian markets are shut for a holiday but the ruble fell 3.4 percent against the dollar on international markets to a one-week low.

Moody's downgraded Russia to Ba1 from Baa3 late on Friday, citing the impact from the Ukraine crisis as well as the steep fall in oil prices and the ruble. With junk ratings from two agencies, Russia risks an acceleration in outflows from more conservative asset managers.

"The fundamental picture is still complicated, and I don't see any improvement. What I see is increasing tensions with the West, so while the Moody's story was well anticipated it just adds

to the overall negative backdrop," said Regis Chatellier, credit strategist at Societe Generale.

The 2030 dollar bond fell 1.1 cent in price to 106.5, a one-week low. The 2043 issue fell 2.5 cents. All other bonds also shed about a cent while Russia's yield spreads over Treasuries widened 9 basis points to 524 bps.

Ukrainian dollar bonds traded about 40-42 cents in the dollar on fears an upcoming restructuring would inflict big losses on bondholders.

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