

# Foreign Russia Investors Warn Over Nemtsov Killing

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Businessmen and investors said Monday that the killing of opposition leader Boris Nemtsov by the walls of the Kremlin last week will further worsen Russia's battered investment climate and create more uncertainty in a market suffering from Western sanctions and an economic recession.

"We are already in a period of great uncertainty and this just creates more uncertainty," said Martin Graham, chairman of financial advisory firm Oracle Capital Group. "Uncertainty kills investment."

The ruble dropped 0.48 percent Monday to 62.2 against the U.S. dollar, but there was generally a muted market reaction to the murder and a demonstration in Nemtsov's memory on Sunday that brought an estimated 50,000 people onto the streets of Moscow.

Many expressed fears that the fatal shooting of Nemtsov, a former deputy prime minister, a few hundred meters from the Kremlin indicated that political violence in Russia will become more common, destabilizing the situation inside the country and increasing the possibility of social unrest.

## **Uncertain Future**

"Any reasonable risk manager has to now ask himself whether the stability personified by one man is an illusion or not," said Bernie Sucher, a member of the board of directors at Aton brokerage and an investor in Russia for more than 20 years.

President Vladimir Putin was once praised by investors for the political predictability and economic growth his rule brought to Russia. But amid the Kremlin's seizure of Crimea and backing for separatist rebels fighting the Kiev government in eastern Ukraine, this aura has all but vanished.

Political assassinations are often the pretext for a change of policy, influential business daily Vedomosti wrote in an editorial Monday. "A clampdown today will mean the almost complete economic and political closure of the country ... we will be able to kiss goodbye to the economy," the paper said.

## **Sanctions Leverage?**

Others raised the possibility that Nemtsov's killing could further worsen relations between Russia and the West, perhaps even provoking a new round of sanctions.

"Once an investigation has been carried out there is the risk this event is used as leverage to impose further sanctions," Bank of America Merrill Lynch analysts wrote in a note to investors Monday.

Nemtsov's murder was condemned by U.S. President Barack Obama and European Union leaders, who imposed three waves of sanctions on Russia last year. Ambassadors from EU countries and the U.S. laid flowers at the site of the shooting on Moscow's Bolshoi Moskvoretsky bridge Saturday.

## **Nowhere to Fall**

Russia's MICEX Index was up 1.4 percent on Monday to 1,786 points while the dollar-denominated RTS climbed 0.8 percent to 906. Many said that the reason the market did not react to the Nemtsov killing was that Russian assets were already cheap.

"From a foreign investment point of view there has not been an investment climate for quite a while, so Nemtsov's murder will not impact the investment climate," according to Sucher.

The Russian market has been hit hard in recent months by the Kremlin's aggression in Ukraine, falling oil prices, a run on the ruble and a tanking economy. The currency lost about 40 percent of its value between November and January while the RTS index is down 23 percent over the last six months.

"People who are concerned have reduced their positions or already got out," said Timothy

Ash, an emerging markets analyst at Standard Bank in London.

## **Fear and Greed**

There was also speculation that the brazenness of Nemtsov's killing could indicate a split in the ruling elite, and possible Kremlin weakness. President Vladimir Putin initially called the killing a "provocation" and has sworn to punish the perpetrators.

"Some people might interpret this as indicating that there is instability at the top," said Oracle Capital Group's Graham.

The murder introduces a "new element demonstrating a hole in the fortress," according to Gregg Robins, a former head of wealth management for UBS in Moscow now working in Switzerland.

"It raises a lot of questions about security in Moscow and potential other attacks on politicians and business figures," he added. "Investors operate on fear and greed, and fear spreads very quickly."

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*Correction: An earlier version of this article said Martin Graham still served as chairman of the Board Risk Management Committee at the Moscow Exchange, when in fact he has left the position.*

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