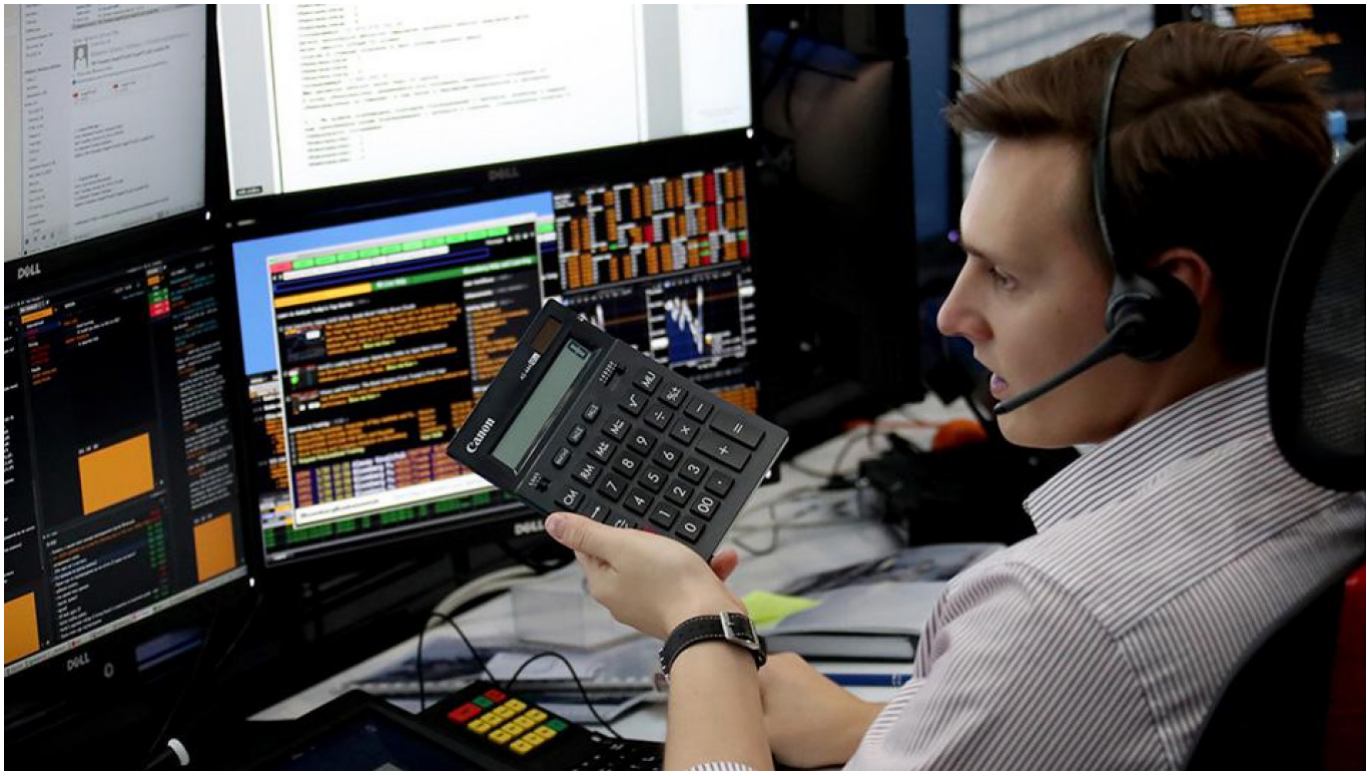
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Coronavirus Fears Hit Russian Stock Market

Shares in sharp drop as traders start to assess the economic costs of virus.

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Global markets dropped as fears of the coronavirus continued to spread over the weekend. **Anton Novoderzhkin / TASS**

The Russian stock market dropped in Monday trading, as fears about the coronavirus rocked global markets.

The RTS index of leading Russian shares was down 2.9% by Monday afternoon, following similar falls in Asia and big losses on the main European exchanges. The price of benchmark Brent Crude oil slipped below $60 for the first time in 2020, while gold rose 0.8% to near a six-year high of $1,538 an ounce.

At least 80 people have died from the coronavirus outbreak in China, according to the latest data, and 2,750 people have been infected around the world.

“The sense of serious concern about the economic effects of the Wuhan virus — evident on Wall Street Friday — has turned into something approaching panic in Asia this morning,” said Jeffrey Halley, Senior Market Analyst for OANDA.

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“China has taken the unprecedented step of extending the Chinese New Year holiday until Feb. 2, as it ramps up efforts to control the spread of the virus.”

Markets were closed in China, Hong Kong, Singapore, Australia and South Korea Monday due to regional holidays — a fact which could have contributed to the sharpness of losses elsewhere, market watchers cautioned.

Nevertheless, analysts at Sberbank’s investment arm said in a note to clients Monday morning: “Investors became even more worried about the epidemic over the weekend as the virus continued to spread … Estimates of the economic damage the epidemic may cause will likely continue to rise this week, putting further pressure on risk assets,” the bank added.

“It will take weeks to months before an exact valuation of the actual danger of the coronavirus is possible,” said Raiffeisen Bank economists. “On the stock markets, however, investors are currently increasingly moving away from risky assets.”

The SARS outbreak in 2003 caused Chinese growth to slow temporarily from an annual rate of 12% to 3.5%, VTB Capital pointed out, although analysts said the current trajectory of the coronavirus does not match that of the 2003 panic.

The fall on Russian markets all but wiped out a strong start to the year, which had seen stocks climb higher on signs the new Russian government would increase spending in a bid to boost growth. The RTS index now stands up just 1% for the year, despite climbing 7% in the first two weeks of January.

Russian airline Aeroflot was one of the worst affected, plunging almost 5% in Monday trading. Blue chips Sberbank, Lukoil and Gazprom were all down by around 3% as of early afternoon.

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