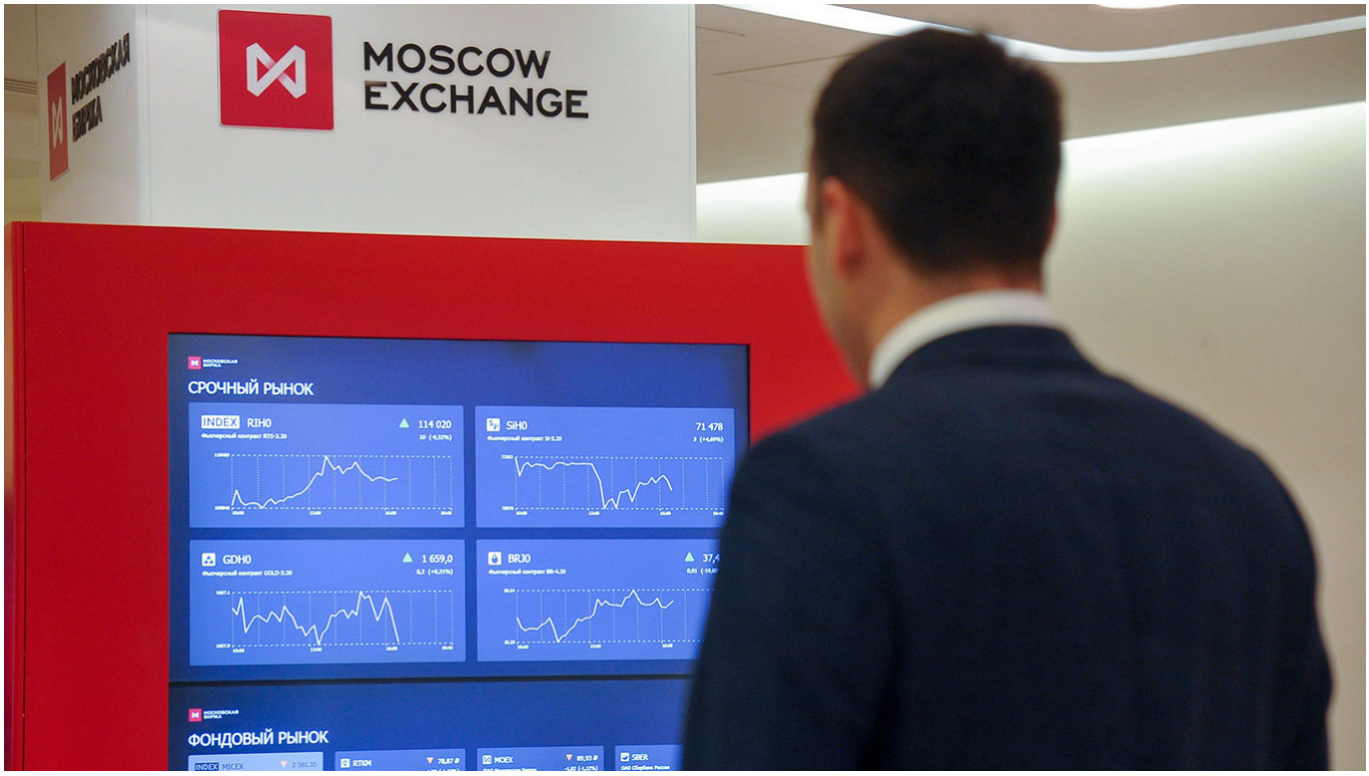
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Russian Markets Slide on Ukraine War Fears

Ruble and stocks in the red as talk of military confrontation spooks investors.

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Traders have sold Russian assets as talk of a military confrontation in eastern Ukraine spooks markets.
Alexander Avilov / Moskva News Agency

Russia's financial markets sank in trading Monday as fears of a possible military confrontation between Russia and Ukraine weighed on investors' minds.

Talk of a possible military confrontation between Russia and Ukraine has escalated in recent days, with Bloomberg reporting that U.S. intelligence has warned European allies a Russian invasion "on a scale far greater than seven years ago" could be "imminent."

The RTS Index — Russia's main stock market, denominated in U.S. dollars — was down 4% by Monday afternoon, wiping billions off the valuations of Russia's top companies.

Banks were among the biggest fallers — seen as vulnerable to a devaluation in the ruble or introduction of new sanctions against Russia's financial markets — along with energy giant Gazprom.

The Russian ruble lost 1.1% against the U.S. dollar, trading at 74.4 — its lowest since August. The currency was down by a similar amount against the euro.

Traders are also mulling the potential for a new round of sanctions against Russia. Over the weekend, the chair of the powerful U.S. Senate Foreign Relations Committee proposed a legislative amendment that could see strict new financial sanctions levied against Moscow.

The declines wiped out three months of gains that had seen Russian stocks trading at all-time highs.

Until recently Russian stock markets had been among investors' top picks in emerging markets, as traders pointed to record-high valuations in the U.S. as signs of a possible bubble and a period of relative calm in Russia's relations with the West following the Geneva summit between Presidents Vladimir Putin and Joe Biden.

Russian assets "had been the most popular, laziest [buy recommendation] this year," said BlueBay Asset Management's Timothy Ash. "Not working out too well now — Russia risks getting hit by the double whammy of inflation and geopolitical risk."

Russian firms have long been seen as high-risk investments, and tensions between Russia and the West regularly result in Russian companies seeing their stock prices fall.

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