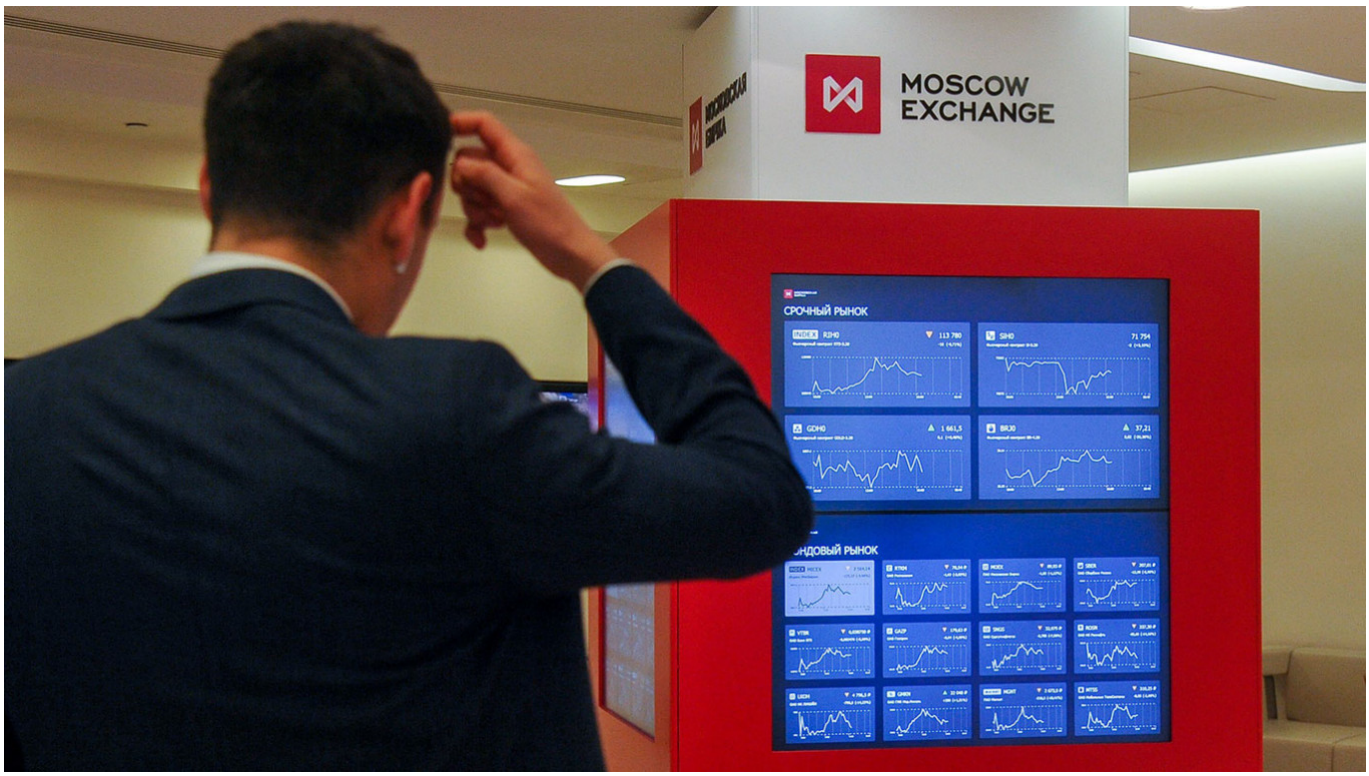
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Russian Markets Rebound Despite U.S. Rejection of Moscow's Demands

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Russia's stock market has seen volatile trading as the standoff over Ukraine continues. **Alexander Avilov / Moskva News Agency**

Russia's financial markets staged a decisive fightback Thursday, climbing strongly after weeks of heavy losses, even as the standoff between Moscow and the West over Ukraine continues.

Russia's leading stock market was up more than 7% in dollar terms during trading in Moscow on Thursday afternoon. The ruble gained more than 2% against the U.S. dollar and 3% against the euro — reversing a week of steep declines for Russia's currency.

The ruble was trading below 78 to the U.S. dollar on Thursday afternoon, having surpassed the landmark level of 80 on Wednesday night, when the U.S. and NATO delivered their formal responses to Russia's demands for a sweeping new security pact in Europe.

State-owned energy companies and banks topped the leaderboard, with Rosneft, Gazprom and Sberbank all up by more than 8%.

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Despite the West reiterating its rejection of Moscow's demands that NATO never admit Ukraine as a member and remove troops and military hardware from eastern members of the alliance, markets have been buoyed by the response in Moscow, said Cole Akeson, an analyst at the investment arm of state-owned Sberbank.

"News that the U.S. is strongly pushing citizens to leave Ukraine immediately [is] causing concerns, but other diplomatic developments [are] coming in neutral or even somewhat constructive," Akeson wrote in a note to clients.

Russian Foreign Minister Sergei Lavrov said earlier Thursday the U.S. and NATO had not given a "positive response" to Moscow's requests, and said the reply was being analyzed by President Vladimir Putin, who has not commented publicly on the standoff since the beginning of the year.

More encouraging signs emerged from a meeting of Ukrainian and Russian officials in Paris on Wednesday, analysts said. Ukrainian President Volodymr Zelensky said the meeting — where both sides agreed to maintain the ceasefire — was "positive" and "constructive," adding that he hoped the sides could "continue meaningful negotiations" in a scheduled follow-up meeting in two weeks in Berlin.

That meeting was part of the Normandy Format negotiations, setup to negotiate and manage the ceasefire in Eastern Ukraine as well as search for longer-term solutions to the conflict between Kyiv and Russia-backed separatist forces in the Donbas.

Despite the partial recovery, Russian assets have still presented investors with hefty losses since the U.S. first highlighted Russia's military buildup near Ukraine last fall.

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