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Donbas Evacuation Pushes Russian Markets Into the Red

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Trading levels have been elevated among heightened geopolitical tensions. **Vedomosti**

Russia's financial markets faced renewed pressure Friday evening after reports civilians were being evacuated from breakaway regions in eastern Ukraine and more warnings from Western capitals that a Russian invasion could be imminent.

The dollar-denominated RTS index of leading Russian stocks dropped 4% on Friday, prices falling late in afternoon trading after leaders in the pro-Russian Donetsk and Luhansk republics called on citizens to evacuate to Russia, issuing their own warnings of a looming offensive from Kyiv.

Ukraine immediately denied the accusations, which come after weeks of statements from U.S. officials that Russia could stage a "false flag" operation as a pretext to invade.

The ruble followed a similar trajectory, falling 1.1% on Friday afternoon to trade at 77.1 against the dollar and 87.4 against the euro.

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The falls took the Russian market into the red for the week, capping a turbulent five days of trading amid another week of high tension between Moscow and the West. The late Friday sell-off wiped out gains that had been chalked up on announcements by Russia's defense ministry that some of the estimated 150,000 troops deployed near the Ukrainian border would be returning to their bases.

Despite few details on the extent of the drawdown and Western governments saying they had seen no evidence of demobilization, the news had initially soothed markets after fears of a Russian invasion had reached fever pitch over the weekend.

The Russian stock market closed the week down 2%, having stood up as much as 8.6% on Wednesday.

The back-and-forth of diplomacy and competing claims about a Russian drawdown has caused yet more confusion on trading floors trying to grasp the likelihood of a further deterioration.

Slava Smolyaninov, executive director and chief strategist at BCS Global Markets, told The Moscow Times that traders "have given up on guessing" what will happen next as war fears showed no sign of dissipating.

"Investors are tired of these notorious headline risks that send the market plummeting and rising in a matter of hours, not to mention days or weeks."

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