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Russian Markets Pare Losses Following Plunge on Recognition of Ukraine Separatists

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Commodities, banks and technology firms all saw heavy losses. **Sergei Kiselev / Moskva News Agency**

Russian financial markets pared losses on Tuesday after plunging into deep red territory in the morning amid intensified sanction fears after President Vladimir Putin ordered troops into Ukraine's eastern breakaway territories.

The dollar-denominated RTS index of leading Russian firms was up 2.1% in evening trading, having recovered from a 10% dip that occurred less than 12 hours after Putin signed documents officially recognizing the Donetsk and Luhansk People's Republics in eastern Ukraine.

Putin ordered the Russian army to move into the two regions to act as "peacekeepers," with Washington announcing new sanctions against both separatist governments almost simultaneously.

Tuesday's recovery began after the Central Bank announced that it was loosening its capital requirements for financial instiutions, allowing banks to calculate their debt-to-capital ratios using asset prices and foreign exchange rates from last week. The rules will be in force until Oct. 1, and banks will be able to fix prices at Feb. 18 levels.

The market continued to climb through the afternoon despite news of Germany's suspension of the Nord Stream 2 pipeline and new UK sanctions against five Russian banks and three individuals.

The Russian ruble recovered to 79.12 against the dollar, having breached the symbolic 80 against the dollar bar on global markets during Putin's Monday night speech announcing his decision. The euro was trading at 89.75 in the evening.

Slava Smolyaninov, executive director and chief strategist at BCS Global Markets, told the Moscow Times that he expected continued unpredictability as the ongoing geopolitical crisis continues to develop.

"Until investors have any visibility on what the next steps are, the market will likely stay extremely volatile," he said.

While the White House has so far stopped short of implementing the full range of sanctions threatened by U.S. President Joseph Biden in the event of a Russian invasion, Putin last night acknowledged the likelihood of more painful penalties, saying that "they'll be adopted anyway."

The Kommersant business newspaper wrote late on Monday night that "the only question is whether the consequences will be harsh or catastrophic."

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