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Fitch, Moody's Slash Russia's Sovereign Debt to Junk

By AFP

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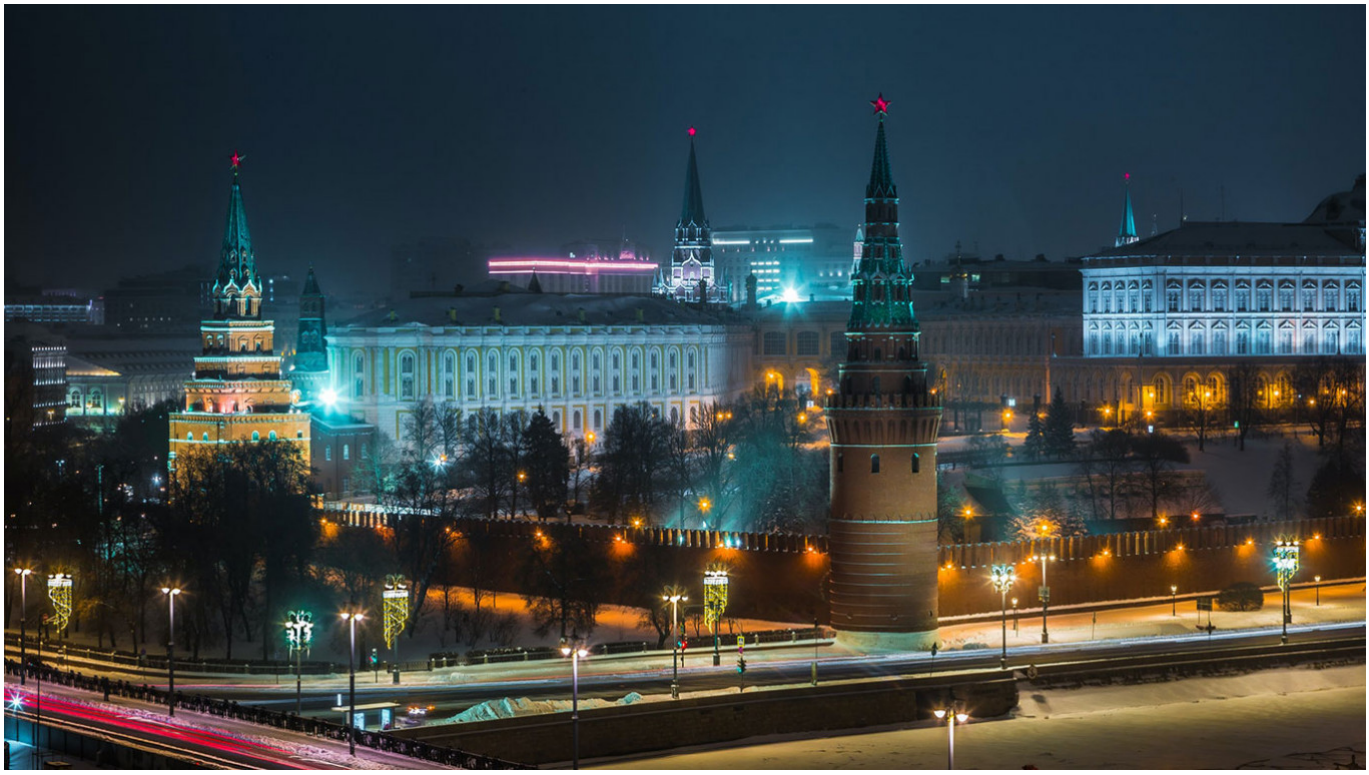

Dmitry Trepolsky / pexels

Ratings agencies Fitch and Moody's slashed Russia's sovereign debt on Thursday to "junk" status, or the category of countries at risk of not being able to repay their debt, a week after Moscow began its assault on Ukraine.

Moody's downgraded the rating on Russian long-term debt from Baa3 to B3 subject to a further review over the West's sanctions against Russia, while Fitch lowered its rating from BBB to B, also with a negative outlook.

"The multi-notch downgrade of Russia's ratings and maintaining the review for further downgrade were triggered by the severe sanctions that Western countries have imposed on Russia," including on its central bank and some large financial institutions, Moody's said in a statement.

The agency also noted a "heightened risk of disruption" to sovereign debt repayment in the face of "severe and coordinated sanctions."

It said there were "significant concerns" over Russia's willingness to service its debt.

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On Wednesday, the European Union cut seven Russian banks from the global SWIFT interbank messaging network, which allows for quick and secure transactions.

The World Bank also announced it was halting all of its ongoing projects in Russia and Belarus in response to the invasion of Ukraine.

Fitch, for its part, said in a statement that it expected a "further ratcheting up of sanctions on Russian banks."

It added that, in the event of a protracted conflict and weaker economic growth, it saw the potential for "greater domestic political uncertainty and instability."

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