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Russian Stocks Suffer Sharpest Single-Day Drop in 3 Years

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Russia's stock market suffered its steepest single-day decline in three years on Wednesday after a senior diplomat said that progress toward a potential peace deal to end the war in Ukraine had largely stalled.

The Moscow Exchange (MOEX) Index, which tracks 40 of the country's largest publicly traded companies, fell 4.05% to 2,563.3 points, its lowest level since December 2024 — marking the sharpest single-day drop since September 2022.

Gazprom shares fell by 4.1%, Sberbank by 4.9%, VTB by 4.7% and Rosneft by 2.5%.

Severstal and Aeroflot each plunged nearly 5%, while Rostelecom, Inter RAO and Magnitogorsk Iron & Steel Works shed more than 5%. Mechel saw the steepest fall, down 6.7%.

"Geopolitical tensions continue to pressure investors," said Yaroslav Kabakov, strategy director at Finam.

The selloff accelerated after Deputy Foreign Minister Sergei Ryabkov said the "strong momentum in favor of reaching agreements" that followed President Vladimir Putin's meeting with Donald Trump in Alaska had "been exhausted."

Ryabkov added that the "structure" of Moscow's relations with Washington was "collapsing" and the Kremlin did not see "any movement" from the U.S. toward rebuilding ties.

A day earlier, Putin told senior military officials that their objective remained unchanged: to "ensure the unconditional achievement of all goals of the special military operation."

"After a period of inflated expectations and rising stock market prices, a wave of pessimism has washed over investors," analysts at PSB Bank said.

The MOEX index has now fallen for five consecutive weeks.

It has lost more than 22% — equivalent to 1.3 trillion rubles ($15.9 billion, according to spot foreign exchange market data from Reuters) in market capitalization — since February, when Putin and Trump held their first phone call after Trump's January inauguration.

Extended declines in the stock market often signal deeper economic trouble, warned Andrei Khokhrin, CEO of Ivolga Capital.

Russia's economy, buoyed in recent years by massive military spending, is now showing signs of slowing. GDP growth nearly stalled this summer, expanding by just 0.4% year-on-year in July and August.

Civilian industries have slumped, with output in clothing down 9.1%, furniture 12.7%, food 2.1% and metals 8.4%, Khokhrin said.

The World Bank recently cut its forecast for Russia's economy, projecting growth of 0.9% in 2025, 0.8% in 2026 and 1% in 2027.

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