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Russian Stocks Slide as U.S. Sanctions Hit Oil Majors

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A sign on the Moscow Exchange building in central Moscow. **Yevgeny Messman / TASS**

Russia’s stock market plunged Thursday as investors reacted to new U.S. sanctions targeting the country’s largest oil producers Rosneft and Lukoil.

The MOEX Russia Index, which tracks 40 of the country’s largest publicly traded companies, fell as much as 3.6%, hitting a low of 2,546, its weakest level in more than a week.

The RTS Index, which tracks Russian stocks in U.S. dollars, fell by a similar margin.

Shares of Rosneft and Lukoil, the two oil giants targeted by U.S. President Donald Trump’s latest sanctions, fell by 3.78% and 5.85% respectively, erasing much of their October gains.

“The U.S. administration’s shift to direct sanctions against core oil producers signals a new escalation,” said VTB My Investments strategist Stanislav Kleshchev.

The European Union added to the pressure Thursday by adopting its 19th sanctions package against Moscow, which targets Russia’s key energy revenues, financial networks and technology supply chains.

"These new sanctions are likely to have a real impact," said Arne Lohmann Rasmussen, an analyst at Global Risk Management.

“There’s no shortage of reasons for renewed selling pressure,” said BKS analyst Mikhail Zeltser, citing high inflation, Trump’s shelving of the Budapest summit with President Vladimir Putin and unverified reports that the U.S. had lifted a key restriction on Ukraine’s use of Western-supplied long-range missiles.

“Volatility has spiked again, and shares quickly fell to autumn lows,” Zeltser wrote.

The sanctions sent oil prices sharply higher, with Brent crude jumping 5.4% to $65.96 per barrel and West Texas Intermediate (WTI) up 5.6% to $61.77.

Gold, seen as a safe haven, recovered from recent heavy selling to rise more than 1% to around $4,100 an ounce, though still well below the record high above $4,381 touched earlier this week.

AFP contributed reporting.