

Concerns Of Unrest Rock Stock Markets

By [The Moscow Times](#)

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Russian stocks and the ruble extended losses late Tuesday as investors were unsettled by the political fallout from a drop in the ruling United Russia party's majority at Sunday's parliamentary elections.

Markets were already trading lower on the day but extended losses sharply after Prime Minister Vladimir Putin said he would reshuffle the government after he seeks re-election to the presidency next March.

At least 5,000 protesters rallied in Moscow on Monday evening to protest against alleged electoral fraud, and 300 were arrested. Another unsanctioned demonstration was held Tuesday evening.

"You hear some news about demonstrations or arrests and you sell. You just want to take money off the table," said an equity salesman at a Western investment bank in Moscow.

The benchmark, ruble-denominated MICEX Index traded 3.8 percent lower at 2 p.m.

Greenwich Mean Time and the dollar-based RTS Index was 4.7 percent weaker. Russian stocks listed in London fell 6.2 percent.

The ruble extended losses to 31.27 to the dollar, down 1.3 percent. Against the euro it fell 0.4 percent to 41.78. The ruble was down 0.7 percent at 35.96 against the dollar-euro currency basket targeted by the Central Bank.

"The market is reacting to the accumulation of evidence that there could be some reaction to the election results. I think people are spooked about what will be the fallout," said Roland Nash, chief investment strategist at hedge fund Verno.

Nash said investors, while nervous over the impact of any substantial political upheaval on major state-controlled companies, would be reassured by any moves by Putin to deliver a more reformist government.

Putin, speaking to United Russia officials, promised a "significant renewal" of the government lineup and regional governors, and said he would respond to society's demands for modernization.

There was a strong security presence in the capital, with 50,000 police and 2,000 Interior Troops deployed, the ministry said.

While Russian assets are vulnerable to headline risks on demonstrations or arrests, market players generally expect the situation to calm down.

"People are playing on rumors that there will be upheaval after the elections, that things didn't go as quietly and as smoothly as expected," said Iskander Akbergenov, a dealer at Nordea bank. "I think everything will stabilize."

Russian assets had fallen at the open after ratings agency Standard & Poor's warned that it could make a blanket downgrade of euro-zone countries if a European Union summit this week fails to agree on a Franco-German plan to impose fiscal discipline across the currency bloc.

There was also market concern over continuing capital outflows from Russia — a symptom of waning investor confidence that has caused funding strains in the local banking sector — that could be exacerbated if Putin raises government spending to placate dissatisfied voters.

Russian capital flight could exceed \$80 billion this year and even hit \$85 billion, acting Finance Minister Anton Siluanov said Monday.

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