

Investors Shy Away From Russian Stocks as Ukrainian Crisis Escalates

By [The Moscow Times](#)

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Russian hypermarket chain Lenta's stock market debut was clouded by political turmoil in Ukraine on Friday as investors reined in their exposure to Russian companies.

The negative sentiment pushed Lenta shares below their price in its initial public offering, which netted about \$1 billion for shareholders including U.S. private equity firm TPG.

Russian stock indexes went on a rollercoaster ride on Friday, first plunging then rising then plunging and rising again, amid conflicting reports about troop movements in Crimea in neighboring Ukraine. The final rally happened after deposed Ukrainian President Victor Yanukovich, who was driven from power a week ago after upheaval sparked by his decision to spurn deals with the European Union and improve ties with Russia, gave a press conference from the Russian city of Rostov.

Over the week, however, the trajectory was downward: the ruble-denominated MICEX fell

by almost 3 percent by the end of Friday trading, while the dollar-denominated RTS index lost almost 4 percent over the week.

Friday's trading hinted that that some investors were shrugging off Ukrainian concerns to take advantage of low Russian share prices.

"We saw buyers yesterday evening and today ... I think this buying is provoked only by low price levels: yesterday the fall was significant," Andrei Yarnih, a salesman at UBS, said Friday.

But any hopes of a market rally are likely to have been derailed by the authorization to use military force in Ukraine granted by the Russian upper parliament on Saturday evening, which provoked a storm of condemnation from Western nations.

On Sunday, the U.S., Britain and France suspended preparations for this year's Group of Eight summit, to be hosted by Russia in Sochi.

About \$2.5 billion has been pulled from Russian equities this year, partly due to the political upheaval in Kiev, analysts at VTB Capital said in a research note.

"Ukraine is getting scary and [investors] want to get out of Russia," said one Moscow-based trader, who said the events in Ukraine had no direct link to Lenta's business.

Lenta is among a number of retailers tapping into demand from foreign investors for consumer-oriented businesses in Russia, even as the country's economy slows.

Other consumer-focused IPOs are expected, such as children's goods retailer Detsky Mir, owned by oil-to-telecoms conglomerate Sistema, corporate and individual loans bank Credit Bank of Moscow and German retailer Metro AG's Russian cash-and-carry business.

Lenta said the total size of the offering was \$952 million, or \$1.1 billion if an over-allotment option is exercised in full. It will give the company a market value of \$4.3 billion.

The company set a price of \$10 per global depositary receipt, at the lower end of a range of \$9.5 to \$11.5. One share is equivalent to five GDRs.

The GDRs started conditional trading in London at \$9.70. Conditional trading occurs ahead of a company's official listing, when an IPO can still be pulled.

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