

# MARKET UPDATE

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## **Russian central bank hikes rates, scrambles to limit fallout of tough sanctions**

Russia's central bank on Monday sharply raised its key policy rate to 20%, a day after announcing a slew of measures to support domestic markets, as it scrambled to manage the fallout of harsh Western sanctions in retaliation against Moscow's invasion of Ukraine.

The bank hiked the key rate from 9.5% to counter risks of rouble depreciation and higher inflation, and also ordered companies to sell 80% of their foreign currency revenues.

## **Dollar Soars; Sanctions Escalation Prompts Safe Haven Demand**

The U.S. dollar soared in early European trade Monday, while the ruble plummeted to a record low, as enhanced sanctions by the West on Russia for its invasion of Ukraine lifted demand for the world's reserve currency.

Western powers escalated the pressure on Russian President Vladimir Putin by blocking over the weekend several major Russian banks from using the global SWIFT payment system.

## **ECB says Sberbank likely to fail; Germany drops Russia issuers**

The European Central Bank on Monday warned that Sberbank Europe, a subsidiary of Russia's Sberbank, and two other subsidiaries under its watch "are failing or likely to fail", in an indication of the fallout of the latest sanctions on Russia.

The ECB said it was "owing to a deterioration of their liquidity situation", while Austria's Financial Market Authority said it imposed a moratorium on Sberbank Europe, which is based in the country.



## BP quits Russia in up to \$25 billion hit after Ukraine invasion

BP (NYSE:BP) is abandoning its stake in Russian oil giant Rosneft in an abrupt and costly end to three decades of operating in the energy-rich country, marking the most significant move yet by a Western company in response to Moscow's invasion of Ukraine.

Rosneft accounts for around half of BP's oil and gas reserves and a third of its production and divesting the 19.75% stake will result in charges of up to \$25 billion, the British company said, without saying how it plans to extricate itself.

## Russia hikes rate to 20% in emergency move, tells companies to sell FX

The Russian central bank raised its key interest rate to 20% from 9.5% on Monday in an emergency move, and authorities told export-focused companies to be ready to sell foreign currency as the rouble tumbled to record lows.

The rouble hit a low of 120 to the dollar on electronic currency trading platform EBS after President Vladimir Putin ordered his military command to put nuclear-armed forces on high alert on Sunday, while the West imposed harsh sanctions against Russia.

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