Russia foray into Ukraine sinks global stocks, ups oil and gold
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Global stocks slumped and gold and oil prices soared Monday as Russia's sending of troops to Ukraine's Crimea sparked a backlash and threats of reprisal from leading Western powers.

The rise in tension over Ukraine fed worries on everything from economic sanctions against Moscow to a possible cutoff of energy supplies flowing from Russia to Europe, to a clash of forces in Ukraine.

The turmoil, escalating since pro-Russian president Viktor Yanukovych was deposed and fled on February 22, sent investors seeking safe havens in top-quality bonds and currencies, a plus for the US dollar and gold.

European markets took the hardest hit, the region-wide Euro Stoxx 50 losing 3% and London's FTSE 100 dropping 1.5%.

Frankfurt's DAX 30 tumbled 3.4%, while Paris's CAC 40 shed 2.7%.

On Wall Street, the Dow Jones Industrial Average lost 0.9% and the broader S&P 500 0.7%.

Earlier in Asia Hong Kong's Hang Seng index gave up 1.5% and the Nikkei in Tokyo 1.3%.

"Rising tensions between Russia and the West has set investors on a war footing ... with stocks being hammered," said Mike McCudden, head of derivatives at online broker Interactive Investor.

Oil prices rose to their highest levels this year on fears that the Ukraine crisis has potential to lead to energy market disruptions.

In New York West Texas Intermediate crude for April delivery, surged 2.3% to US$104.92 (RM344.40) a barrel, while in London Brent North Sea shot up 2% to US$111.20 (RM365.01).

Carl Larry of Oil Outlooks and Opinion noted that more than 70% of Russia's gas and oil exports to Europe pass through Ukraine.

"Ukraine is a gateway for natural gas to Europe and that's a fine line to be skipping rope on," he said.

"The world can't afford to lose the 4.8 mbd of crude exports that Russia sends out. Nor can it afford to lose the 198 billion cubic metres of natural gas that feeds Europe and Asia."

Investors also fled to gold, with the Comex price gaining 2.2% to US$1,350.30 (RM4,432.36) an ounce.

In major currencies, the euro slipped to US$1.3733 from US$1.3800 late Friday. The euro also edged lower to 139.27 yen from 140.44 yen, while the US dollar was at 101.42 yen, down from 101.76. The British pound meanwhile fell to US$1.6663 from US$1.6737.

Safe-haven bond prices jumped as well. The yield on 10-year German government bonds fell to 1.569% from 1.624% on Friday, while the 10-year US Treasury fell to 2.61% from 2.66%.

Alpari analyst James Hughes said: "We are looking at the safe havens as the obvious movers, especially in currencies, with the Swiss franc and yen both moving ahead."

The carnage though was most pronounced inside Russia, where threats of sanctions from the US and European powers put more pressure on a troubled economy.

The MICEX stock market in Moscow closed down 10.8%, while the RTS bourse fell 12%.

The ruble slid to 36.44 to the dollar from 36.28 on Friday and 35.5 a week ago, despite the Bank of Russia raising its main interest rate to 7% from 5.5% in a bid to fight capital flight.

"The decision by Russia's central bank to raise interest rates is a clear attempt to stem outflow of capital from financial markets, following the escalation of the crisis in Ukraine over the weekend," said Neil Shearing, emerging markets economist at Capital Economics in London. - AFP, March 4, 2014.

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