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The sanctions, announced on Friday, target officials and business people around President Vladimir Putin in response to alleged Russian meddling in the 2016 US election.

Their impact could threaten Russia's fragile economic recovery, which was only just beginning to take hold after a wave of sanctio introduced in response to Russia's annexation of Crimea in 2014.

Russia's currency briefly dipped more than four per cent on Monday before recovering slightly to trade at 60.31 to the dollar, down 3.67 per cent, its biggest daily percentage fall since January 2015.

Shares in Russia's two biggest banks, Sberbank and VIB fell 17, 23 and 9,1 per cent respectively. State-owned Sberbank is traditionally seen as a barometer for the wider health of the Russian economy.

On equities markets, Russian aluminium tycoon Oleg Deripaska saw the share price of one of his companies halve after he joined six other so-called "oligarchs" sanctioned together with their businesses, as well as 17 political figures.

The dollar-denominated RTS index was down 11.2 per cent and the rouble-based MOEX Russian index fell by 7.7 per cent - to their lowest levels since September and November respectively.

United Company Rusal Plc, at the heart of Deripaska's global aluminium empire, saw the price of its shares listed in Hong Kong fall over 50 per cent.

Rusal said the impact of sanctions could trigger technical defaults on some of its debts. Its dollar-denominated bonds fell hard on default fears, while its Moscow-listed shares tumbled 27.7 per cent.

 $The sanctions \ mean Russian \ companies face losing access to the US \ market, which accounted for around 14 per cent of Rusal's revenue last year, according to analysts at Promsvyazbank. \\$

But Russian firms could also run into trouble in other markets as investment partners pull out to reduce exposure.

The Swiss engineering company Sulzer has decided to buy back five million of its own shares from Renova Group to reduce Renova's holding to below 49 per cent. Viktor Vekselberg, Renova's Russian chairman, was included on the sanctions list on Friday.

Though Russian gas giant Gazprom was not sanctioned, Alexei Miller, its chief executive, was included on the US list. That could create complicated legal dilemmas for Gazprom's many foreign partner companies. Russian Prime Minister Dmitry Medvedev on Monday ordered his government to prepare measures to support sanctioned Russian entities and to draw up possible retaliatory steps.

However, Russia may find it difficult to respond in kind by imposing sanctions on US businesses since few of them have significant Russian exposure.

Russian companies not under sanctions are also taking a hit. Steel miner Evraz was the biggest faller on the FTSE 100 on Monday, down eight per cent, while gold producer Polyus saw its 2023 dollar bond issue plumbing a record low.

reign dollar bonds fell across the curve, with its September 2043 eurobond falling to a five-day low.

The cost of insuring exposure to Russian debt also rose on Monday to its highest since mid-December, IHS Markit data showed.