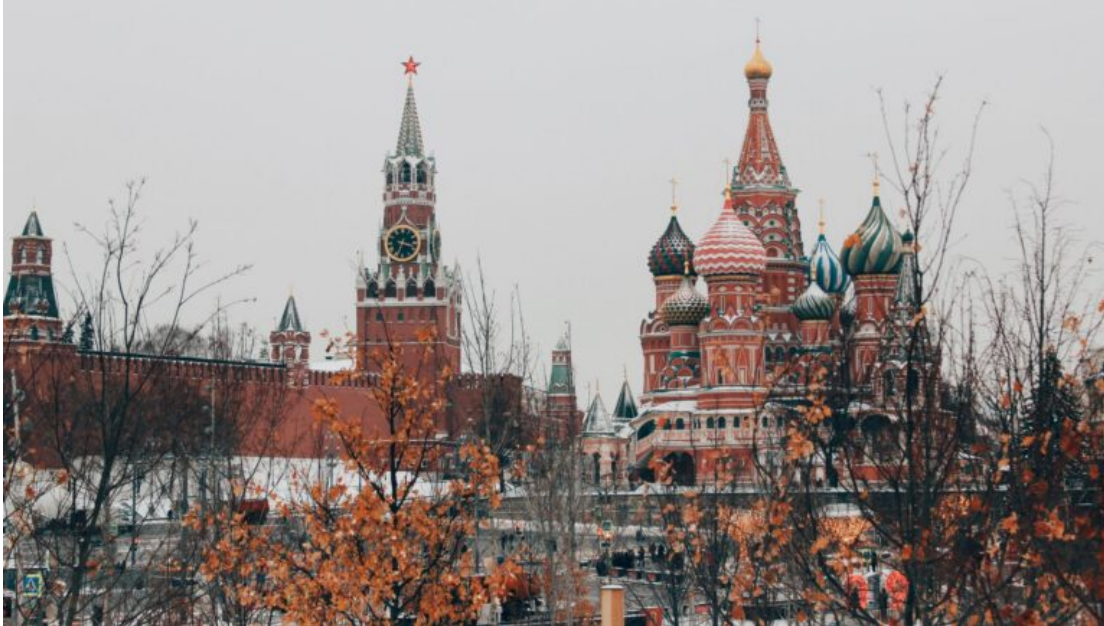


<https://blog.en.erste-am.com/ukraine-conflict-sanctions-against-russia/>

## Ukraine conflict: sanctions against Russia

Erste AM Investment Division / Erste AM Communications



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The invasion of Ukraine by Russian forces continues to progress. According to the Financial Times, troops are attacking Belarus from the northern border, the eastern border with Russia, and Crimea in the south.

The Bloomberg news portal reports that the Russian military has captured the Chernobyl nuclear power plant, located about 130 kilometers north of Kiev. Moscow is preparing further waves of attacks to advance inland.

### First reaction of the West to the invasion

Yesterday also saw the West's first reaction to the invasion. Both the US, the EU and the UK announced sanctions against Russia. These mainly target Russia's largest banks, oligarchs and the export of technology goods to Russia.

For now, however, the sanctions do not target Russia's oil and gas sales, which accounted for about half of the country's export revenue last year. Concerns that this could happen have caused oil prices to rise noticeably in recent weeks.

The markets reacted yesterday with relief to the announcement of the sanctions, apparently a stricter approach was priced in here. After a weak opening, the U.S. leading index S&P 500 turned into the profit zone and ended the day with a plus of 1.5%. The price of North Sea Brent crude oil, which had risen to over USD 105 in the meantime, fell back below the important USD 100 mark.

Although the safe havens, such as gold or credit-safe government bonds, were up yesterday, they also had to give up parts of the gains in late American trading. Today's trading session in Asia followed the lead from America. The Japanese benchmark index Nikkei rose by 1.95%. Futures contracts on European stock markets today also point to significant gains.

### What will we observe the next few days?

Despite the markets breathing a sigh of relief, we expect volatility to remain high as it has been in recent weeks. This is also indicated by the VIX index, which is trading at an elevated level of around 30, reflecting the expected short-term volatility of the S&P 500.

From our point of view, the following factors will be most important in the coming days:

the further course of the military action in Ukraine and whether it will be confined to Ukraine  
after its end the further political events in Ukraine  
the sanction mechanisms by the West but also any counter-sanctions by Russia, which could affect oil and gas supplies.

The last point in particular is crucial for the impact on further global growth and inflation.

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