Russian President Vladimir Putin and his Ukrainian counterpart Petro Poroshenko agreed on steps toward a cease-fire in Ukraine’s easternmost regions, where a bloody conflict has raged for more than five months.

Putin backs the idea of an immediate truce, his spokesman Dmitry Peskov said today in Ulaanbaatar, Mongolia. A conversation between the two leaders resulted in an agreement on a “cease-fire regime” and they reached a mutual understanding on the steps toward peace, Poroshenko said on his website.

A lasting cease-fire would be the biggest breakthrough yet in the conflict that the United Nations estimates has cost at least 2,600 lives. Ukraine, the U.S. and Europe accuse Putin of backing pro-Russian rebels with troops and equipment. Russia, which faces further sanctions as early as this week over the unrest, has repeatedly denied involvement.

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“The biggest risk of both a potential cease-fire and a possible larger political agreement would be that they might not be followed through,” Otilia Dhand, an analyst at Teneo Intelligence in London, said by e-mail. “The lack of clear chains of command on both sides and the likely popular backlash in Kiev mean that any kind of agreement could easily fail even before it is supposed to come into effect.”

Ruble Rebounds

The ruble rebounded, while U.S. Treasuries and the dollar declined. The Russian currency strengthened the most since June against the dollar, while the Micex stock index jumped 2.7 percent in Moscow, its biggest gain in three months. The Ukrainian Equities Index climbed 3.3 percent and Ukraine’s 2017 Eurobond rose for the first time in 11 days, pushing the yield 107 basis points lower to 12.472 percent.

While conciliatory statements from Russia haven’t always led to de-escalation in the past and previous cease-fires failed to hold, this is Poroshenko’s most definitive statement yet on progress in finding a
solution to the conflict.

U.S. President Barack Obama, in Estonia today to reassure eastern European NATO members of their security before heading to the alliance summit in the U.K., expressed skepticism over the announcement.

“We haven’t seen a lot of follow-up on so-called announced cease-fires,” Obama told reporters in the Estonian capital, Tallinn. “If in fact Russia is prepared to stop financing army training” and “is serious about a political settlement, that is something we are hopeful for. I’ll leave it up to others to interpret Mr. Putin’s psychology on this.”

The European Commission, the European Union’s executive, will propose new sanctions, that should be built on the current ones, this afternoon, spokeswoman Pia Ahrenkilde-Hansen told reporters in Brussels today.

**Changed Statement**

There were no other details about the conversation between the two leaders. Pro-Russian rebels said Poroshenko didn’t agree to a cease-fire with them, RIA Novosti reported.

Peskov also denied Poroshenko’s earlier assertion that the leaders agreed on a permanent cease-fire, saying Russia can’t reach such an accord as it’s not part of the conflict. The Ukrainian president’s office deleted the word “constant” from its statement.

Meanwhile, fighting intensified in eastern Ukraine, with the government troops killing 200 rebels in the past 24 hours, military spokesman Andriy Lysenko told reported in Kiev today. Insurgents were stealing coal, destroying gas pipelines in actions that Ukrainian authorities said were aimed at curbing energy flows to the EU.

To contact the reporters on this story: Ilya Arkhipov in Ulaanbaatar, Mongolia at iarkhipov@bloomberg.net; Daryna Krasnolutsk in Kiev at dkrasnolutsk@bloomberg.net; Angela Greiling Keane in Tallinn, Estonia at agreilingkea@bloomberg.net

To contact the editors responsible for this story: Balazs Penz at bpenz@bloomberg.net; James M. Gomez at jagomez@bloomberg.net Andrea Dudik