

Ruble Surges to 3-Month High Against U.S. Dollar

By [The Moscow Times](#)

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The ruble hit a three-month high against the dollar as oil prices climbed, exporters sought the currency to cover expenses and investors were lured to Russian assets by the prospect of higher interest rates.

The currency gained as much as 0.7 percent to 30.04 per dollar Thursday, the strongest intraday level since Oct. 14.

The price of crude, Russia's chief export earner, has climbed 4.7 percent this week, and 9 percent since the end of November, to as strong as \$92.16 a barrel Thursday, near a 27-month high, as a report showed that U.S. fuel stockpiles declined for a sixth week and an Alaskan pipeline operator moved to halt output and repair a leak.

“Russian exporters have a habit of pre-selling much of their annual revenue in the first quarter to get what they need for domestic expenses,” said Alexei Moiseyev, chief economist

at VTB Capital, the investment-banking arm of Russia's second-largest lender. The companies source rubles by buying so-called forward contracts from banks, which then obtain the funds on the spot currency markets, he said.

With inflation the fastest for a year in December, traders are pricing in 0.88 percentage point of Russian benchmark interest rate increases in the next three months, the most expected since November 2009, Bloomberg data show.

In the long term, the ruble will pare gains in the second half of the year as speculation that Russia's leaders will "clean out" the bureaucracy ahead of elections next year spurs officials to send their money offshore, the VTB Capital analyst said.

The currency will strengthen 3.9 percent to 29 per dollar by the end of June, before retreating to 29.30 versus the greenback by the end of 2011 as outflows of capital intensify ahead of presidential elections expected in early 2012, according to Moiseyev.

Capital outflows from Russia intensified after the Sept. 28 firing of Yury Luzhkov, Moscow's mayor for 18 years, as officials concerned that his ouster could prompt more dismissals or a crackdown on corruption sent their money out of Russia, Moiseyev said. Net outflow was \$38.3 billion last year, the Central Bank said Thursday, more than their \$22 billion official forecast.

"As the election approaches [President Dmitry] Medvedev will clean out the ranks to leave only the most loyal people," Moiseyev said Thursday by phone in Moscow. "People that feel vulnerable will start to take their money out of the country, like what happened after Luzhkov was fired."

The Russian currency slid 3.1 percent against the dollar from the end of September through November last year.

Rising oil prices and interest rates will support the ruble this year and prevent a rout in the currency in the lead-up to the election, Moiseyev said.

With inflation at 8.8 percent in December, the fastest in a year, the Central Bank raised its deposit rate by 0.25 percentage point at its Dec. 24 review and may increase all key borrowing costs in the first quarter of 2011, Chairman Sergei Ignatyev said Dec. 8. This bolsters the ruble's appeal as a carry trade currency, Moiseyev said, where funds borrowed in countries with low rates are invested where returns are higher.

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