

Ruble Hits New Low Against Weaker Oil and Russian Central Bank Decision

By [The Moscow Times](#)

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An employee of a bank counts rouble banknotes in Moscow.

Russia's ruble fell to a record low against the dollar on Monday, as Russian companies made payments on foreign debt, oil prices dropped and markets came to expect the Central Bank would not intervene to defend the currency.

Russian assets took a beating last week after the U.S. and the EU imposed new sanctions over Moscow's role in the separatist conflict in Ukraine. That further limited access to foreign capital for some of Russia's top companies.

In the first hour of trading on Monday, the ruble fell to a new low of 38 rubles per dollar, its fifth record low since late last month.

By 6 p.m., it had extended losses to trade 1.07 percent weaker against the dollar at 38.18 and 0.96 percent lower at 49.42 versus the euro. That left the ruble 1.02 percent weaker at 43.24.

against the dollar-euro basket.

Russian companies have about \$20 billion in foreign debt payments due in September, said Alexander Golovtsov, chief analyst at UralSib Asset Management. Those obligations mean companies must sell rubles to buy foreign currency to service their debt.

"When the Central Bank isn't taking part in trades, this has a strong effect," Golovtsov said.

Emerging-market currencies such as the ruble are feeling the heat as markets move up their estimate of when the U.S. Federal Reserve will begin raising interest rates, making lower-risk assets more attractive.

Adding to pressure on the ruble, global oil benchmark Brent slumped to a more than two-year low on Monday after China reported lackluster economic data. China is the world's top energy consumer, and the prospect of its economy slowing raised doubts about the outlook for oil demand amid abundant global supplies.

Russia relies on oil and gas for about two-thirds of exports and half of federal budget revenues.

Moscow-listed shares also fell on Monday, hurt by the expiry of futures contracts on Russian shares and indices, as well as the latest U.S. sanctions, which were viewed as tougher than expected as they targeted private as well as state-owned firms.

Top lender Sberbank — seen as a barometer for the wider Russian economy — was down 1.3 percent after being included in the U.S. sanctions. The dollar-denominated RTS index slid 1.7 percent to 1,193 points, while its ruble-based peer MICEX traded 0.7 percent lower at 1,447 points.

Ruble Free Float

The Russian Central Bank aims to move to a freely floating ruble next year, and it cut short a recent cycle of rate hikes by leaving its key interest rate on hold at a regular meeting on Friday.

The bank said current monetary conditions set the basis for inflation to decline in the medium term, leading market participants to believe the bank will not significantly support the ruble as long as its mid-term inflation goals are within reach.

The ruble has weakened about 15 percent against the U.S. currency this year, feeding already high inflation, which was running at an annualized 7.6 percent in August, well above the Central Bank's official 5 percent target for this year.

The ruble might fall further over the coming week, VTB Capital foreign exchange analyst Maxim Korovin said, noting that rates for Russian companies looking to park their foreign currency holdings at the Central Bank remain low, reflecting weak demand.

An added worry for investors is President Vladimir Putin's warning that Russia is considering how to retaliate for the latest round of Western sanctions. After earlier sanctions, Russia banned food imports from many Western countries. This time, possible retaliation might

include a ban on car imports and on flights over Russian territory for Western airlines.

Ratings agency Moody's said on Monday the latest Western sanctions are credit-negative for Russia as they exert pressure on the economy's long-term growth potential and may undermine its fiscal and external position.

In more gloomy news for Russia's stuttering economy, official data showed on Monday that Russia's industrial output slowed in August and was flat in year-on-year terms, undershooting analysts' forecasts.

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