

Russian Ruble Tumbles Amid Bleak Economic Data, Sanctions Risk

The ruble has slid to its lowest level in months.

July 31, 2020



The Russian ruble has slid to its lowest level in months. Alexander Avilov / Moskva News Agency

The Russian ruble has fallen to its lowest level in months as eye-watering macroeconomic data and fears of renewed coronavirus outbreaks in Europe send investors flocking into safe haven assets.

Against the U.S. dollar the ruble <u>printed</u> 73.5 Friday morning in Moscow, having lost more than 4% in the last two weeks. That took the Russian currency down to its lowest level against the greenback in 11 weeks.

The ruble was performing even worse against the euro, down at 87.2 — its weakest reading since March 30, when Russia had just gone into coronavirus lockdown. Analysts say the euro is particularly strong at the moment, buoyed by the landmark 750 billion euro stimulus package recently <u>agreed</u> by European leaders.

Market sentiment has taken a hit "from bleak macroeconomic data" from both Germany and the U.S. in recent days, said Maxim Korovin, an analyst at VTB Capital. In the U.S. — the world's largest economy — GDP shrunk by a <u>record</u> 9.5% in the second quarter. Meanwhile, new figures in Europe's largest economy Germany showed a 10.1% <u>fall</u> in GDP in the second quarter, effectively wiping out a decade of economic growth.

Related article: Russia Ditches Goal of Becoming Top 5 Economy

Pessimism on global markets typically hurts the ruble and Russian financial assets, as they are seen as significantly riskier than other investments, such as government bonds from the likes of the U.S., Germany and Japan, as well as gold.

Gold prices have advanced more than 10% since the beginning of July, hovering just below the milestone mark of \$2,000 an ounce.

Geopolitics could also be playing a role in the ruble's recent weakness, Sebastian Petric, financial analyst at Raiffeisen Bank said.

The ruble's decline "can be related to geopolitical risks such as the U.S. elections nearing fast. A clear [Joe] <u>Biden win</u> might lead to a greater push for renewed U.S. sanctions against Russia and this scenario gets currently priced in the ruble."

Recent interest rate <u>cuts</u> from Russia's Central Bank, which took lending rates to their lowest ever level, are another a factor in the currency's weakness, Petric added, since lower rates typically reduce the relative value of a currency.

Original url:

https://www.themoscowtimes.com/2020/07/31/russian-ruble-tumbles-amid-bleak-economic-data-sanc tions-risk-a71029