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Ruble Gains Most in Month on Rebound

By The Moscow Times

September 19, 2010



The ruble strengthened the most in more than a month versus the dollar on Friday, rebounding from the weakest level since June as a recovery in the price of oil boosted the outlook for the world's biggest energy exporter.

Russia's currency advanced 1.1 percent to 30.99 in Moscow, paring its decline on the week to 0.3 percent. Friday's jump, the biggest since Aug. 3, was the most among more than 20 emerging market currencies tracked by Bloomberg.

Oil rose for the first time in four days, increasing 0.8 percent to $75.17 per barrel.

The ruble is recovering after a 4.2 percent decline since Aug. 3 amid deepening concern that a slowdown in the U.S. economic recovery and China's efforts to curb growth will damp prospects for oil demand. Crude fell 9 percent in the period.

Bets by options traders that the ruble would depreciate increased by the most in four months last week as of Thursday, according to Bloomberg data.

The fluctuations "aren't logical and are mainly related to the behavior of market players, speculators," Sberbank president German Gref told reporters late Thursday in Sochi.

Ruble-dollar trading volumes with a settlement date of Friday jumped to $5.89 billion on Thursday, compared with $2.55 billion a week earlier, according to MICEX data.

The daily trading volume is the highest since Nov. 27, 2009, when $5.96 billion of contracts exchanged hands, the data showed. The premium options traders paid for the right to sell the ruble rather than buy it rose to 2 percent Thursday, double the premium of 1 percent a week earlier.

ING and Societe Generale also said the ruble's recent weakness was unjustified. There is "no fundamental rationale" behind the ruble's decline, and a sustained depreciation would only be warranted should "oil fall off a cliff," Dmitry Polevoi, ING's chief Russia economist, wrote in an e-mail.

Investors pared bets that the ruble would weaken for the first time this week, with non-deliverable forwards showing the currency at 31.25 per dollar in three months, compared with 31.45 on Thursday. The contracts, known as NDFs, are a way of gauging the likely direction of currencies as they allow companies to hedge against exchange-rate fluctuations and foreign investors to speculate on currencies of countries that limit their participation.

The ruble gained 0.7 percent against the euro Friday. The movements versus the dollar and the euro left the currency 0.9 percent stronger at 35.36 against the Central Bank's target basket.

The currency tumbled to its weakest level against the euro in seven months and hit a 2 1/2-month low versus the dollar Thursday.

"If investors will pay more for a put than a call, then the market is nervous," Kieran Curtis, who helps manage $2 billion of emerging market debt at Aviva Investors in London, said in an e-mail interview. "It shows investors think the ruble will depreciate."

The ruble's depreciation gathered momentum after the Bank of Japan sold yen on Wednesday to halt gains in the currency, its first intervention since 2004, said Roman Sulzhyk, director of rates trading in Moscow at Deutsche Bank, the world's biggest currency trader.

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