

\$2 Billion in Russian Aid Fails to Help Ukrainian Currency

By [Anna Dolgov](#)

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Russia's promise to release the next payment of a promised \$15 billion loan to the government of Ukraine's President Viktor Yanukovich failed to help the country's hryvnia currency, which fell by up to 1.6 percent against the dollar on Tuesday.

Monday's announcement by Finance Minister Anton Siluanov that Moscow will purchase \$2 billion worth of Ukraine's bonds was followed by the hryvnia's fall on the first day of the week U.S. markets were open, though as of Tuesday afternoon the currency avoided a five-year low seen earlier this month, Reuters reported.

Moscow scored a victory when Ukraine's government pulled out of a planned association deal with the European Union last November in favor of closer ties with Russia, but the hryvnia has been under pressure after the move sparked anti-government protests centered in the Ukrainian capital Kiev.

The Russian aid is part of a \$15 billion package that was offered — and then suspended — amid a back and forth between the Yanukovych administration and the pro-Western opposition.

Siluanov's announcement came on the same day Germany offered an unusually high-level reception to two of Yanukovych's top opponents, but declined to impose sanctions on his beleaguered government.

German Chancellor Angela Merkel sat down for talks with Vitaly Klitschko and Arseny Yatsenyuk in Berlin on Monday and backed the formation of a new government but turned down the opposition leaders' requests for sanctions against Yanukovych and his allies, The Telegraph reported.

Yatsenyuk said after the meeting with Merkel that should Ukraine form a new government, it would "receive aid from our Western partners to stabilize the financial situation in the country."

The Ukrainian central bank spent about 8 percent of its reserves on currency intervention in January and currently has about \$18 billion, enough for two months of imports.

"If there is more political stability, the hryvnia could strengthen. But chances for that today are not big," one Kiev-based trader told Reuters.

Some analysts suspect that Ukraine will be forced to devalue its currency and follow in the steps of Kazakhstan, which devalued the tenge by about 19 percent against the dollar last week.

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