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# Foreign Currency Purchase Plans Push Ruble to Historic Lows

By The Moscow Times

February 18, 2014




The ruble fell to an all-time low against the euro and declined versus the dollar Tuesday on expectations of foreign currency purchases by the Finance Ministry.

The ministry is soon to announce details of nearly $6 billion worth of purchases to replenish one of the country's sovereign wealth funds.

"The details will be published in the coming days," Deputy Finance Minister Alexei Moiseev said.

The ruble was trading at a record low of 48.79 versus the euro in Moscow Tuesday evening, down from 48.3 at the start of the day; and was at 35.45 against the dollar from 35.23 at the start of trading.

The Russian currency was at 41.44 against the dollar-euro basket in Tuesday evening.

The basket is used by the Central Bank to guide the ruble's nominal exchange rate.

The country's budget deficit came in last year at 0.5 percent of gross domestic product, better than expected and freeing up revenues to go into the Reserve Fund, one of the rainy day funds in which the government saves windfall energy revenues.

The ministry has not disclosed the mechanism for the foreign currency purchases. Last October, it said it would use a new method — the Central Bank converting the rubles from the energy revenues into foreign currency via the open market.

However the ministry said earlier this month that it may also use an old mechanism of handling the revenues — through off-market operations by the Central Bank, which may have little impact on the ruble.

The lack of clarity about the purchases has shaken the market.

"A major portion of the uncertainty invariably comes from the finance ministry and its plans to transfer [foreign currencies] into the Reserve Fund," Yevgeny Koshelev, an analyst at Rosbank in Moscow, said in a note.

"Both local and foreign market participants are playing against the ruble."

Analysts at VTB Capital said in a note that the ruble has been underperforming most of its emerging market peers by 5 to 6 percent since the beginning of the year, with the expected foreign currency purchases one of the reasons behind the decline.

VTB remains optimistic about the fate of the Russian currency, however, saying that by now all the risks associated with the ruble — which also include fewer market interventions by the Central Bank and the possibility of no rate hikes — are priced in.

"Therefore, we do not believe that there is much downside in the ruble relative to other markets and the reversal will be rather sharp," the analysts wrote.

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