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Ruble Strengthens and Stocks Rise as Ukraine Talks Near

By The Moscow Times

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At 7 p.m. in Moscow, the ruble was trading 0.55 percent higher against the dollar at 36.10 and was up 0.42 percent against the euro at 47.92.

That left the Russian currency 0.45 percent firmer at 41.43 against the dollar-euro basket the Central Bank uses to gauge the ruble's nominal exchange rate.

"The ruble is being supported by a combination of factors — there are some signals on a de-escalation of the conflict in Ukraine, there's the tax period ... and the exchange rate has climbed rather high in the past few days," said Ruslan Pshonkovsky, a trader at Roseksimbank in Moscow.

The ruble typically strengthens toward the end of the month as major exporters convert their hard currency earnings into rubles to pay their tax obligations to the state budget.

Some analysts also view Russian assets as oversold after a series of sharp sell-offs linked to Russia's perceived role in the Ukraine crisis.

Supporting sentiment across markets, President Vladimir Putin and Ukrainian President Petro Poroshenko are due to meet on Aug. 26 in Minsk to discuss the situation in eastern Ukraine, where fighting is continuing between pro-Russian rebels and government forces.

The speaker of the Russian parliament was quoted as saying on Thursday that the meeting was a step toward defusing the conflict in Ukraine.

The dollar-denominated RTS share index closed 1.4 percent higher at 1,275 points, while the ruble-based MICEX index ended 1 percent higher at 1,461 points.

Zerich Capital analyst Andrei Vernikov, however, was cautious.

"Investors are hoping for a weakening of geopolitical tensions ahead of the meeting in Minsk," Vernikov said in a note.

"Buying shares on the hope of the success of the negotiations in Minsk after the failure of negotiations in Kiev, Geneva and Berlin is very naive. There need to be other drivers for the growth of the market."

Domestically oriented stocks such as banks outperformed the market. Leading bank Sberbank closed up 2 percent while top oil firm Rosneft rose 0.6 percent.

Shares in VTB closed up 0.9 percent but gave up some early gains after the bank reported an 82 percent slide in first-half profit. VTB had been up 2.1 percent before the results.

"The results did not justify expectations — net profit noticeably fell and was around half forecasts," Olma analyst Ruslan Unisov said in a note.

See also:

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