

Russia's Ruble Hits Record Low Against U.S. Dollar

By [The Moscow Times](#)

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The Russian ruble hit a new record low against the dollar on Friday, hurt in part by companies' foreign debt repayments, while shares in conglomerate Sistema plunged after another twist in a criminal investigation into its chairman.

The ruble fell heavily, reversing a brief rally earlier in the week linked to major tax payments by exporters due on Thursday. It crashed through its previous low of 38.93 rubles to the dollar, as well as the psychologically significant level of 39 rubles, to finish the day 1.8 percent weaker against the dollar at 39.18. It was also down 1 percent versus the euro at 49.62, and 1.4 percent weaker at 43.88 against the dollar-euro basket.

The ruble has touched several historic lows in the past few months as investors in Russian assets have taken fright over the Ukraine crisis and as prices of oil, a major Russian export, have fallen below \$100 a barrel.

All emerging market currencies are now coming under pressure on anticipation of higher interest rates in the United States, which has pushed the dollar to a four-year high.

"A combination of factors is pressuring the ruble. Firstly, dollar appreciation against developed and emerging market currencies, and secondly, Russian corporates and banks are de facto shut out of foreign capital markets," said Maxim Korovin, a forex analyst at VTB Capital in Moscow.

Korovin said the second factor — the result of Western sanctions over Ukraine — was exerting a constant drag on the ruble as many companies were having to buy foreign currency to meet external debt repayments and were unable to attract new funding in foreign currencies.

"The story is just the same. No one has canceled it, there are no positives, and we are moving to where we were moving before," said Alfa Bank trader Igor Akinshin.

But some analysts argue that the currency market is overreacting and the ruble is due for a rebound.

"If we are talking about fundamental pre-conditions of how much the ruble should now be worth, simply based on the economic situation and the state of markets as a whole, the dollar, of course is very strongly overvalued," Edvard Golosov, director of asset management at BCS Premier, said in a note.

BCS Express analyst Ivan Kopeikin said the ruble is likely to rally once investors become convinced that there will be no more Western sanctions and the existing ones will be reconsidered. "Therefore the ruble could already quite soon return to the level of 38 [to the dollar]," he said in a note.

Hopes of a rollback in the West's sanctions on Russia had fueled stock market optimism in recent days but were fading on Friday after EU diplomats downplayed the likelihood of an immediate easing.

The market mood was further soured by a Russian court's decision to seize conglomerate Sistema's shares in oil company Bashneft as part of a criminal investigation.

But the market trimmed losses in late trading, following a positive start on Wall Street and following comments by the EU's energy Commissioner saying there had been progress in three-way gas talks between Russia, the EU and Ukraine.

The dollar-denominated RTS share index was down 1.65 percent to 1,156 points, largely reflecting the plunging ruble.

The ruble-based MICEX index was down 0.1 percent at 1,434 points.

Sistema was the worst performer, tumbling 21 percent after steep falls in the previous session, while Bashneft fell 5 percent.

Sistema, which acquired an almost 80 percent stake in Bashneft for \$2.5 billion in 2009, has been unable to deal in its Bashneft shares since July because of a related investigation. Its

chairman, oligarch Vladimir Yevtushenkov, has been placed under house arrest.

"An unpleasant mood will continue to hang over the Russian stock market due to the 'Yevtushenkov case', " Anastasia Sosnova, an analyst at Rossiysky Kapital bank, said in a note. "Market players see a so-called 'political element' in this case, which in turn undermines the desire to invest in Russian assets."

The crackdown on Sistema has invited comparisons with the Kremlin's confiscation of the Yukos oil company in the 2000s.

"The returning 'ghost of Yukos' is a powerful limit on purchases and has significantly spoilt the mood of the markets," commented Andrei Dirgin, director of analysis at Alfa Forex.

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