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INDEPENDENT NEWS FROM RUSSIA

Slumping Oil Prices Send Russia's Ruble Back Past 40 to Dollar

By Howard Amos

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The ruble has fallen dramatically this year on the back of international tensions over Ukraine and Western sanctions against Moscow.

The ruble continued its recent tumble Wednesday, weakening below 40 to the dollar for the second time in a week as global oil prices fell to a 27-month low.

At 8 p.m. a dollar was worth 40.13 rubles and the Russian currency had dropped to 44.96 against the euro-dollar currency basket, past the point that triggers Central Bank intervention.

The Central Bank said Wednesday that it had raised the upper limit of the ruble's trading corridor Tuesday to 44.65 — if the ruble moves beyond that threshold the regulator's policy is to sell foreign currency on the markets to prevent further devaluation.

"Further interventions and [trading] band shifts look to have already occurred today,"

analysts at Sberbank CIB wrote in a note to investors Wednesday morning.

Russia spent 16.8 billion rubles ($420 million) to buoy the ruble Monday, according to materials on the Central Bank's website published Wednesday. The regulator releases such information with a two day time lag.

Equity markets in Russia also fell sharply Wednesday. At 12:20 p.m. the MICEX Index was down 1.7 percent at 1,380 while the dollar-denominated RTS Index had fallen 2.2 percent to 1,083.

Oil Price Slide

Declining Russian stock exchanges and a weakening ruble follow hard on the heels of a global fall in oil prices that shows no sign of abating. Brent oil retreated to below $91 per barrel Wednesday, its lowest level since June 2012, according to data from Reuters.

Fears of a global over-supply and weak demand have pushed oil prices down from a $115 high in June.

“The fall of oil and local demand for currency will continue to pressure the ruble,” Dmitry Polevoi, chief Russian economist at ING Bank, wrote in a note to investors Wednesday.

According to official guidelines, when the Russian currency breaches the proscribed trading corridor the Central Bank can sell up to $350 million before shifting the boundary by 5 kopeks.

The ruble has fallen dramatically this year on the back of international tensions over Ukraine and Western sanctions against Moscow, as well as lower crude prices.

The Russian currency has lost over 20 percent of its value against the dollar since January, passing the psychologically important 40-to-the-dollar mark Monday for the first time since the currency was restructured in 1998.

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