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Fears of Free Float Push Ruble to New Lows Against Dollar and Euro

By The Moscow Times

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A board showing currency exchange rates is seen in Moscow.

The ruble weakened on Wednesday, touching new all-time lows against both the dollar and euro, as expectations build that the Central Bank could let the currency float in the near future.

At 8:22 p.m., the ruble was 0.96 percent weaker against the dollar at 42.88 and lost 1.17 percent to trade at 54.69 versus the euro.

That left the currency 1.09 percent weaker at 48.20 against the dollar-euro basket that the Central Bank uses to gauge the ruble's nominal exchange rate.

"Apart from rising expectations there will be a shift to a freely floating exchange rate already at Friday's rate meeting, a further worsening of sentiment could happen given disagreements over elections in the self-proclaimed DNR/LNR [Donetsk and Luhansk people's republics],"

Dmitry Polevoi, chief Russia economist for ING Bank in Moscow, said in a note.

On Tuesday Ukraine condemned as "destructive and provocative" Russia's stance toward the elections organized by pro-Russian separatists in eastern Ukraine next Sunday, saying Moscow's recognition of the vote could wreck chances of bringing peace.

The ruble has been sliding on falling oil prices, broad risk aversion toward Russia because of its role in the Ukraine crisis and demand for foreign currency from Russian firms shut out of international capital markets.

The Central Bank said early on Wednesday that it had spent a further $2.5 billion defending the ruble on Monday. That takes the total cost of defending the currency to over $20 billion this month and over $60 billion since the start of the year.

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