

Ruble Weakens Ahead of Russian Central Bank Decision

By [The Moscow Times](#)

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A board showing currency exchange rates is seen in Moscow, Oct. 30, 2014.

The ruble weakened on Friday morning before a key Central Bank meeting at which policymakers are expected to raise interest rates in a bid to rein in the currency's recent plunge.

The ruble fell 1.5 percent against the U.S. dollar to trade at just under 42.5 to the greenback, shortly after midday in Moscow.

The move comes after a volatile day of trading on Thursday in which the ruble hit historical lows before strengthening 5 percent in less than two hours.

There was no clear explanation for the ruble's unexpected rally — with some analysts suggesting traders were trimming their positions before a possible interest rate hike, while others theorized that the Central Bank could have staged a large market intervention

in support of the ruble.

The Moscow Exchange said Friday that ruble volatility had caused the stock exchange to record an all-time record in the quantity of derivative trades.

The Russian currency has tumbled over 20 percent against the dollar this year, fueled by Russia risk aversion, a declining oil price and Western sanctions on Moscow for its role in Ukraine.

Rate Hike?

A majority of economists polled by news agencies Reuters and Bloomberg expect the Central Bank to increase interest rates on Friday for a fourth time this year in an attempt to lift the ruble and dampen inflation growth.

The Central Bank said it spent \$3 billion of its foreign currency reserves defending the ruble on Oct. 29 — a record single-day spend for October. The bank releases information about market interventions with a two day time-lag.

The Central Bank controls the exchange rate through a trading corridor for the ruble. When the ruble overshoots the corridor's upper edge, the bank begins buying rubles, shifting the boundary by five kopeks every time it commits \$350 million of its foreign currency reserves.

The trading corridor moved by 35 kopeks on Thursday, according to the Central Bank, indicating about \$2.5 billion of foreign currency reserves were spent.

The Central Bank has burnt through almost \$30 billion propping up the ruble this month.

Speculation has swirled ahead of the Central Bank meeting that policymakers will decide to allow the ruble float more freely, a move that could herald further heavy falls for the currency.

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