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Ruble Rout Accelerates as Russia's Central Bank Stands Aside

By The Moscow Times

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People walk along a street past a board showing currency exchange rates in St. Petersburg, Nov. 5, 2014.

The Russian currency plunged almost 4 percent against the U.S. dollar Thursday amid relentless selling pressure after the Central Bank announced it was limiting market interventions to defend the ruble.

The ruble dropped to 46.7 versus the dollar early evening in Moscow, a historical low, while also falling below the mark of 58 to the euro for the first time ever.

The declines mean the ruble has fallen over 40 percent against the greenback since the start of the year.

Russia's Central Bank announced Wednesday that, barring a threat to financial stability, it would spend no more than $350 million of foreign currency reserves per day to curb the

ruble's declines, which have gathered pace through October amid a sliding oil price and Western sanctions on Moscow over the conflict in Ukraine.

“Another day and another all-time low in the ruble despite headlines that the Central Bank had not intervened yesterday and that there would be $10 billion of cheaper money being auctioned off next week,” analysts at Bank of America Merrill Lynch in Moscow wrote in a note to investors.

The Central Bank said Thursday that it burned through $10.5 billion propping up the ruble last week, bringing the total spent in October to $29 billion and pushing the figure so far this year to about $70 billion.

“That level of reserve depletion was clearly not sustainable,” Timothy Ash, head of emerging market research at Standard Bank, said in a note to investors. “The Central Bank basically threw the towel in.”

The softening of the Central Bank's position Wednesday after two days of national holidays was welcomed by many investors and economists but the move accelerated the ruble's plunge. The Russian currency, already one of the world's worst performing, has since lost almost 7 percent against the dollar — in just two days of trading.

The ruble's descent this week has been steady, with occasional sharp drops. Within half an hour of the market opening Thursday, the ruble fell 38 kopeks against the dollar and plunged 69 kopeks against the euro.

The global price for Brent crude, which has fallen over 25 percent from June highs, slipped below $83 a barrel Thursday. Waves of Western sanctions on Moscow have blocked Russian companies from European Union and U.S. money markets, dried up investment and accelerated capital outflow.

Moves by the Central Bank to slow the ongoing devaluation, including a 1.5 percent interest rate hike Friday and the announcement of new foreign currency repo auctions scheduled to begin next week, have not appeared to have had a significant impact.

“The Central Bank has taken a big step toward a fully free floating ruble but the market is, as before, set on testing the viability of the Central Bank's new policies,” Dmitry Polevoy, chief Russian economist for ING Bank, said in a note to investors Thursday.

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