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Russia's Ruble Falls on Oil Price Drop and Sanctions Fears

By The Moscow Times

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Russian artist Vasily Slonov cuts a U.S. one dollar banknote as he creates an artwork depicting a portrait of Russian President Vladimir Putin based on a layer of U.S. dollars, Russian and Soviet roubles at his workshop in Krasnoyarsk, Siberia, Nov. 13, 2014.

The Russian ruble fell on Friday, dragged down by weak oil prices and political instability in Ukraine, although it made up some ground late in the day as oil prices picked up somewhat.

At 6:35 p.m. in Moscow the ruble was down 0.7 percent on the day against the dollar at 47.15, and down 1 percent to 59.84 against the euro.

The ruble had been down more than 2 percent against the dollar shortly after opening, following a 2 percent slide seen on Thursday, but recovered some ground as global oil benchmark Brent regained almost $2 on Friday.

"The performance of crude oil ... could perhaps be given as a formal reason behind the soft

price, but in our view the current trading levels of the Russian currency already price in subdued crude oil levels for the next 12 months," VTB Capital analyst Maxim Korovin said in a note.

He said that large price swings in the ruble have reflected low market liquidity which is in turn a consequence of recent extreme volatility.

The ruble could firm substantially next week, he added, as exporters acquire rubles to pay end-of-month taxes, with a Central Bank one-year forex repo auction on Monday also potentially positive for the ruble.

Russian assets are also under pressure because of fears that Western countries may introduce new sanctions against Russia over its actions in Ukraine.

"First of all, investors are afraid of the continuing discussion of new sanctions against Russia by representatives of the EU and U.S.," Airat Khalikov, senior analyst at Veles Capital, said in a note.

Earlier on Friday British Prime Minister David Cameron said Russia's actions in Ukraine are unacceptable and could lead to additional sanctions.

This week NATO accused Russia of sending military equipment into regions of eastern Ukraine controlled by rebels. Fighting has intensified around the rebel stronghold of Donetsk, putting further pressure on a patchy ceasefire.

Russian stock indexes were mixed on Friday, with a sizable drop in the dollar-denominated RTS index but a slight strengthening in the ruble-based MICEX index, which effectively gains from the weaker ruble.

At market close the RTS was down 1.2 percent to 1,000 points, while the MICEX was up 0.4 percent to 1,498 points.

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