

Scant Demand for Russia's Forex Auction

By [The Moscow Times](#)

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The Central Bank drew demand of just \$87.7 million at its first 12-month forex repo auction on Monday, far short of the \$10 billion maximum size, which it said showed that a deficit of foreign currency had been addressed.

The Central Bank scrapped direct daily interventions in the foreign exchange market when it floated the ruble a week ago, and has said the new repo will be its main instrument for forex market operations.

The ruble showed little reaction, holding steady after falling 0.3 percent against the dollar in early trading.

Some analysts had expected that a successful auction would support the Russian currency, which has tumbled in recent weeks, by providing banks with an alternative to buying dollars and euros on the currency market.

Rosbank analyst Yury Tulinov said low demand probably reflected banks' reluctance

to commit collateral which they may need to borrow rubles from the Central Bank instead. Ruble liquidity typically tightens near year-end.

The Central Bank "hoped that this facility would be convenient for market participants, but once again they said, 'No, thank you!'" Tulinov said.

The Central Bank's more positive interpretation was that the \$30 billion it spent last month to break the ruble's fall meant there was no longer a deficit of foreign currency in the market.

Tulinov said there was some truth in that explanation, although the fact that banks continue to raise expensive dollar funding from corporate deposits showed forex remains scarce.

He said the auction was likely to be "moderately negative" for the ruble, adding: "All of the focus of investors right now is much less on this technical shortage of dollars in Russia ... and much more on the oil prices which are below \$80."

At a separate auction on Monday, the Central Bank sold \$312.4 million at a 28-day dollar repo auction, more than in previous weeks but still well below the \$1.5 billion limit.

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