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Russia's Ruble Jumps as Oil Prices Stabilize

By The Moscow Times

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A street merchant counts Russian rubles at his shop in Sevastopol.

The ruble rose sharply on Monday, lifted by Russian exporters buying to meet tax payments and as oil prices stabilized at around $80 a barrel.

At 8 p.m., the ruble was almost 2 percent stronger against the dollar at 44.8 and 1.7 percent stronger against the euro and 55.7.

"We have the mineral extraction tax, in the morning the market again went short foreign currency, plus at the moment there isn't demand for forex," said a currency dealer at a large Western bank in Moscow.

Russian exporters convert their foreign-currency earnings into rubles toward the end of each month to pay taxes. Two large taxes, the mineral extraction tax and profits tax, fall due this week.

Traders said demand for foreign currency had fallen significantly as Russian firms had already bought enough forex to meet their immediate external debt obligations.

A steadier oil price also helped the ruble on Monday ahead of a key meeting of OPEC.

The Russian currency is down more than 25 percent against the dollar this year, hurt by the slump in oil prices, Russia's chief export, and Western sanctions over the Ukraine crisis that have limited Russian firms' access to international capital markets and deterred investment.

Investors in Russian assets are positioning before the OPEC meeting on Thursday, at which the oil-producing group will discuss whether to cut output. Russia is not a member of OPEC.

"At minimum, in order for the ruble not to decline, a commitment by OPEC to stop oversupply and hold to its official 30 million barrels per day production target is probably required," Tom Levinson, a forex analyst at Sberbank CIB, said in a note.

Russia's finance minister put the cost of lower oil prices and Western financial sanctions at around $130-140 billion a year on Monday, warning that low oil prices in particular were hurting the economy.

Russian shares were mixed on Monday, with the tone for two major indexes determined by the strong move in the ruble.

The dollar-denominated RTS index was 1.6 percent higher at 1,076 points, while its ruble-based peer MICEX was 0.6 percent lower at 1,530 points.

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