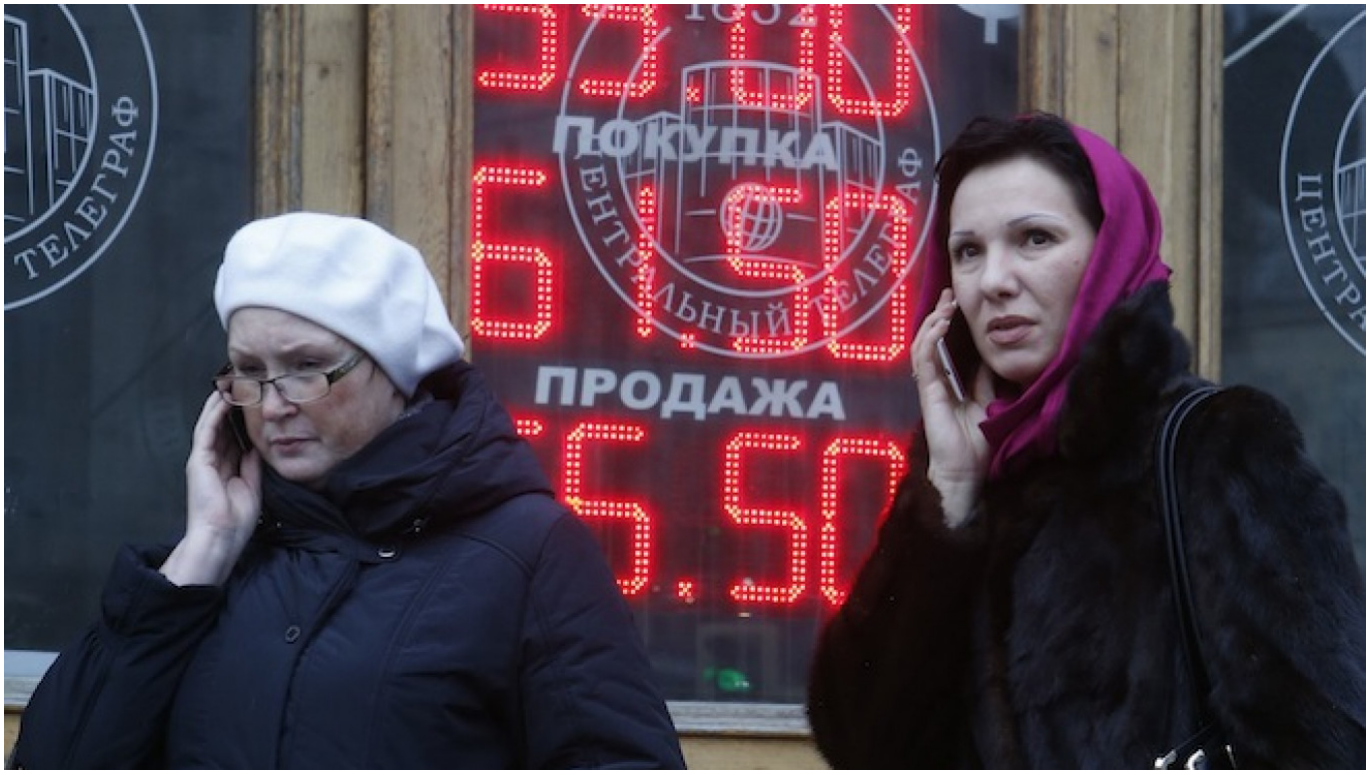
The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Russia's Ruble Plunges to 54 to U.S. Dollar on Recession Warnings

By The Moscow Times

December 02, 2014



Women speak on phones near a board showing currency exchange rates in Moscow on Dec. 1, 2014.

The ruble sank to a new low of 54 against the U.S. dollar on Tuesday, giving up early gains after Russia's Economic Development Ministry said it expected a recession next year and sees the currency remaining weak.

At 8:30 p.m., the ruble was down 5 percent against the dollar at 54 after rising as much as 1 percent on the day earlier in the session. It was trading 4.5 percent weaker against the euro at 66.9.

The Russian currency is at historical lows against both currencies.

Crude gave up some of its gains from late Monday but, at just above $71 per barrel of Brent, remained above the multi-year lows reached earlier. That lifted the ruble in early trade after it suffered its biggest intraday losses in 16 years in the previous session.

But the Economic Development Ministry said that lower oil prices and sanctions imposed on Moscow over its role in the Ukraine conflict will cause gross domestic product to contract by 0.8 percent next year, a significant change from an earlier forecast of 1.2 percent growth.

The ministry also cut its forecast for 2015's average oil prices by $20 to $80 and said it expected an average ruble rate of 49 to the dollar.

"The revision of the economic outlook had been expected, but for some it still could have been an unpleasant surprise that had forced foreign currency purchases or closure of short positions," said a dealer at a major Russian bank.

Comments from Finance Minister Anton Siluanov that the ruble is significantly undervalued in relation to current oil prices failed to lift the Russian currency. On the contrary — the ruble weakened further.

The Finance Ministry said later it was canceling its weekly treasury bonds auction, usually held on Wednesday, because of unfavorable market conditions.

The ruble closed its previous session down 1.6 percent, probably supported by interventions from the Central Bank, traders said. But earlier in the session on Monday, it had traded as much as 7 percent lower against the dollar.

"In case of a further fall in energy prices the dollar is poised to firm to at least 55 rubles and the euro-ruble rate should reach 68-70 rubles," Gleb Zadoya, head analyst at Profit investment house, wrote in a note.

Vladimir Tikhomirov, an analyst at BKS, said crude prices may bottom out at $60 per barrel and the ruble's "fair" value at that price would be around 55 rubles per dollar.

Russian stock indexes reflected the ruble trade. The ruble-based MICEX closed up 0.3 percent at 1,583 points, because of the currency's weakening. The dollar-based RTS was down 3.4 percent to 925 points.

Original url:
https://www.themoscowtimes.com/2014/12/02/russias-ruble-plunges-to-54-to-us-dollar-on-recession-warnings-a41891