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Ruble Picks Up After Russian Finance Minister Backs Domestic Currency

By The Moscow Times

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An employee uses a machine while counting Russian ruble banknotes at a private company's office in Krasnoyarsk, Siberia.

Russia's ruble strengthened on Friday after Finance Minister Anton Siluanov confirmed his ministry had sold foreign currency, and on expectations that exporters will increase dollar sales.

At 2:10 p.m., the ruble was about 2.2 percent stronger at 60.13 to the dollar, and had gained 2.6 percent to trade at 73.77 to the euro.

The ruble has seen intense selling pressure this week, and at one stage was down about 20 percent against the dollar, putting at risk the stability on which President Vladimir Putin has built his popularity.

The currency was on track to end the week more than 2 percent lower, though the market

remains volatile amid thin trading volumes.

Analysts at Rosbank said the ruble could stabilize at about 60 to 62 per dollar on what they called the central bank's conservative approach to ruble liquidity, and the expansion of its forex repo mechanism.

Government pressure on exporters not to hoard their foreign exchange revenues is seen as another positive for the ruble, which is now down some 45 percent against the dollar this year.

The end-of-month tax period begins in earnest next week, when Russian exporters have to convert their overseas earnings into rubles to pay taxes to the state budget.

Siluanov said early Friday that the ruble would definitely firm at the beginning of next year. His verbal interventions are seen as part of government efforts to support the Russian currency.

Analysts also said that foreign-currency buying by ordinary Russians, which had applied pressure to the exchange rate in recent days, was likely to fade as the ruble firms.

"The frenzy of retail FX buying is receding but will likely maintain pressure on the ruble going into the weekend," analysts at Sberbank CIB investment bank said in a note.

So far this year, the Central Bank has spent more than $80 billion defending the currency, which has been hit by a collapse in oil prices, as well as by Western sanctions over Ukraine, which have dented investors' appetite for Russian risk.

The bank has, however, scaled back its support for the ruble since last month, when it floated the currency.

Russia's stock market suffered new falls on Friday, bucking generally bullish sentiment on global markets.

The dollar-denominated RTS index was down 1.5 percent to 753 points, while its ruble-based peer MICEX traded 2.3 percent lower at 1,442 points. Both indexes were on track to end the week lower.

The business conglomerate Sistema again led the best-performing stocks, rising by more than 15 percent a day after its share price more than doubled.

Appetite for Sistema has been boosted by the release of its chairman from house arrest and hopes that a criminal investigation into both the company and its chairman will be dropped.

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