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Russian Ruble Weighed Down by Dropping Oil Price and Fitch Downgrade

By The Moscow Times

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A man walks out of a bank office, with an electronic board showing currency exchange rates seen above, in central Moscow.

The ruble fell sharply on Monday, dragged lower by a slide in oil prices and fears that ratings agency Standard & Poor's will downgrade Russia to junk in coming days.

The currency has been hit by plummeting prices of oil, Russia's main export, and Western sanctions imposed last year over the Kremlin's role in the Ukraine crisis.

Russian authorities spent $76 billion and 5.4 billion euros defending the currency in interventions in 2014, Central Bank data showed on Monday.

At 8 p.m. in Moscow, the ruble was down 2.4 percent against the dollar at 63 rubles and 3 percent weaker against the euro at 74.5.

The Russian currency tracked international oil benchmark Brent, which was down more 5

percent on Monday at $47.5 a barrel, falling below $48 for the first time since April 2009.

On Friday, Fitch downgraded Russia's foreign currency bonds to BBB-, one notch above investment grade, citing a significant deterioration in the country's economic outlook.

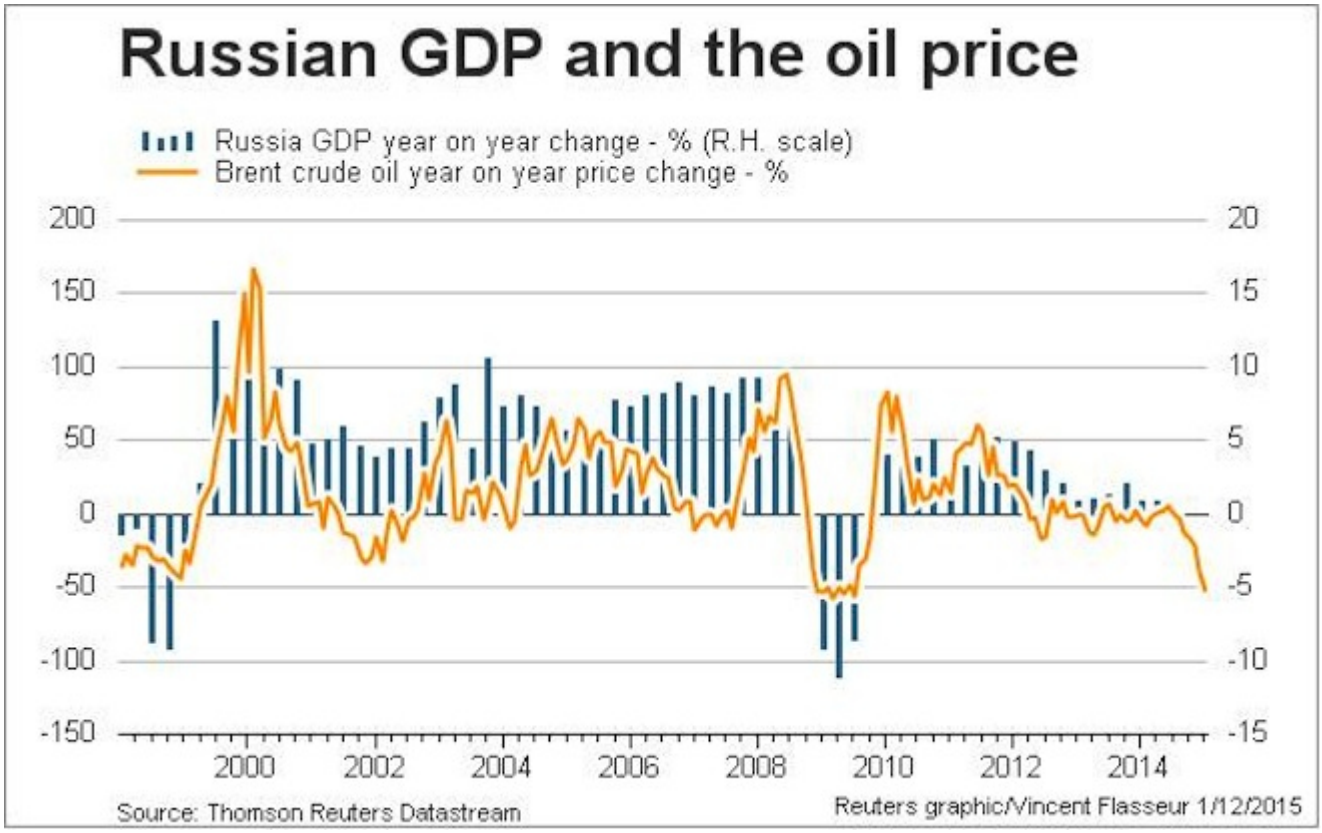
S&P said last month that it expected to complete a review of Russia, which it already rates at just one notch above junk with a negative outlook, by mid-January.

"We believe there is a high possibility that S&P will downgrade Russia's rating — if not now, then later this year as the country's macroeconomic indicators worsen," analysts at Rosbank said.

Russian bonds are already trading at "junk" levels. The yield on the 2030 eurobond was 7.2 percent on Monday, up around 25 basis points since Friday but below peaks of 8.3 percent in mid-December and 7.9 percent on Jan. 6.

Russian stock indexes were mixed, reflecting a recent pattern whereby a weaker ruble boosts the ruble-based MICEX index but weighs on the dollar-based RTS.

At the end of trading, the MICEX was down 0.1 percent at 1,513 points and the RTS down 3.3 percent at 756.6 points.



Reuters

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