

Russia's Ruble Slides at Worries of Being Downgraded to 'Junk'

By [The Moscow Times](#)

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A board showing currency exchange rates is seen in Moscow, Jan. 7, 2015.

Russia's ruble weakened on Thursday as global oil prices resumed their slide and investors were nervous at the prospect of Russia being downgraded to 'junk' status.

At 0840 GMT the ruble was around 1 percent weaker against the dollar at 65.43 and was also 1 percent weaker against the euro at 77.08.

The ruble often takes its lead from prices for oil, one of Russia's chief exports, and Brent crude fell over 2 percent on Thursday after strong gains on Wednesday.

"Yesterday's dynamics of the domestic currency market show the ruble is exclusively following prices for 'black gold' (oil), while other factors and threats have a secondary importance," analysts at Bank Zenit said in a note.

"The Finance Ministry's supportive rhetoric isn't having a noticeable effect on the ruble," the

analysts wrote.

Finance Minister Anton Siluanov said on Wednesday the ministry planned to convert part of its Reserve Fund into rubles.

Also weighing on sentiment, international ratings agency Standard & Poor's is expected to review Russia's sovereign credit ratings in the coming days.

S&P currently rates Russia at just one notch above 'junk' status with a negative outlook, and Russia's economy minister has said the likelihood of a downgrade was "pretty high."

Besides the hit to a country's image of being rated 'junk,' such a downgrade can push its borrowing costs up. Many mainstream investment and pension funds have rules preventing them from buying anything not classed as investment grade.

Russia's Central Bank said on Thursday that it had sold \$650 million worth of foreign currency on Jan. 13 on behalf of the Finance Ministry.

The Central Bank replaced its head of monetary policy on Wednesday, amid criticism over its defense of the ruble, which fell more than 40 percent last year, weighed down by Western sanctions over the Ukraine crisis and a sharp drop in oil prices.

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