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Russian Ruble Stablizes Ahead of Decision by European Central Bank

By The Moscow Times

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A board showing currency exchange rates is seen in Moscow.

The Russian ruble was little changed on Thursday, with trading subdued as investors waited to see whether the European Central Bank would announce a bond buying plan.

At 12:44, the ruble was almost unchanged against the dollar on the day at 65.39. The ruble was 0.2 percent weaker versus the euro at 75.92.

The ECB is expected to announce later Thursday that it will buy 50 billion euros ($58 billion) of bonds a month starting in March.

This move could potentially push the dollar to new highs and put downward pressure on commodities. But analysts at VTB Capital said the local market was discounting the program of sovereign debt purchases.

Investors are waiting to see the impact of the decision on oil, Russia's chief export and a

major driver for the ruble.

"If the ECB does not disappoint, we think the chances of crude oil continuing to bottom out could increase," the analysts wrote in a note. "In light of this, we think the ruble might continue recovering."

Ruble volatility has eased in recent days after a stormy few weeks of trading in December, when the Russian currency repeatedly hit all-time lows against the dollar and euro.

However, with oil prices hovering around $49 a barrel — far away from the above $90 per barrel it was a year ago, the ruble remains under pressure even as exporters are starting to convert foreign currency to meet regular tax payments next week.

Rating agencies have also issued warnings they may downgrade Russia's sovereign credit rating to non-investment grade.

"Expectations of further negative action by rating agencies are influencing the local forex market as well as uncertainty regarding the January meeting of the Central Bank," said Vladimir Evstifeyev at Bank Zenit.

The Central Bank's next rate decision meeting is to take place on Jan. 30 and with inflation expected to reach more than 13 percent in annual terms by the end of this month, there is little hope the bank will cut its key rate.

The Central Bank, in an emergency move, raised the rate by 650 basis points in the middle of December to 17 percent to try to reverse the ruble's rapid slide.

Russian stocks traded in the positive, with the ruble-based MICEX up 2 percent to 1,649 points and the dollar-traded RTS index up 1.8 percent to 796 points.

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