The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Ruble Firms as Oil Price Bounces on News of Saudi Arabian King's Death

By The Moscow Times

January 23, 2015



A board with currency exchange rates is on display in a street in Moscow.

The ruble strengthened late last week, buoyed by a bounce in global oil prices, expectations that exporters will soon convert hard currency into rubles and foreign investors taking advantage of high Russian interest rates.

On Sunday the ruble was around 0.06 percent stronger against the dollar at 64.16 and gained over 1 percent to trade at 72.09 versus the euro.

"Sentiment towards the ruble has changed, first of all due to European QE (quantitative easing), since the ruble is interesting for carry trade. I think the dollar/ruble pair could fall back to around 60-61," said a currency dealer at a large Western bank in Moscow.

The European Central Bank said Thursday it would buy 60 billion euros of bonds a month starting in March, boosting Russian assets.

A carry trade is a strategy whereby an investor borrows money at a low interest rate to invest in an asset that is likely to provide a higher return. Russia's key interest rate is at 17 percent, more than 10 percent higher than in most Western countries.

The ruble was also supported on Friday by higher prices for oil, Russia's chief export. Brent crude was trading up over 1 percent at over $49 a barrel on Friday, as news of the death of Saudi Arabia's King Abdullah added to uncertainty on energy markets.

Russian exporters were also expected to be converting their foreign-currency earnings into rubles to meet tax payments due on Monday, including for the mineral extraction tax, one of Russia's biggest monthly taxes.

"We think export has increased hard currency selling ahead of tax payments," Maxim Korovin, a forex analyst at VTB Capital bank said in a note.

"The heaviest ones are scheduled for next week, so the offer in the FX spot market could persist."

Russian shares also firmed on Friday, extending strong gains from the previous session after the ECB's QE program was announced.

The dollar-denominated RTS index closed up 0.47 percent to 820 points, while its ruble-based peer MICEX was 0.31 percent higher at 1,671 points.

Original url:
https://www.themoscowtimes.com/2015/01/23/ruble-firms-as-oil-price-bounces-on-news-of-saudi-arabian-kings-death-a43167