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Russia's Ruble Seesaws After Central Bank Rate Cut

By The Moscow Times

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The Russian ruble weakened of Monday, with market players still reacting negatively to the Central Bank's unexpected decision on Friday to cut rates, and a decline in oil prices weighing on the currency.

At 8:55 p.m. Moscow time, the ruble was around one percent stronger at 68.39 against the dollar and around 0.6 percent stronger on the day at 77.5 versus the euro.

On Friday, the Central Bank surprised the markets saying it was cutting the key interest rate by 2 percentage points to 15 percent, with analysts saying the move might have come too early.

"Although a dovish [Central Bank] bias is now more apparent, the timing of further easing depends on how the markets react to Friday's decision and the Central Bank's readiness to stabilize expectations via non-interest-rate policy tools in case of renewed pressure on the

currency," Vladimir Kolychev, an analyst at VTB Capital, wrote in a note.

Oil, Russia's main export, saw its prices falling on Monday after a surge above $50 per barrel on Friday. Brent futures traded more than $1 down on the day at around $51.70

"If the enthusiasm of buyers in the oil market dries up and the price of Brent returns to the level of around $48 [per barrel], the ruble is doomed to fall further," said in a note Gleb Zadoya, head analyst at Profit Group in Moscow.

"In this case, the ruble can test the levels of 85 per dollar and 95 per euro."

Investors were also concerned about a new wave of fighting in eastern Ukraine over the weekend after peace talks collapsed.

"News that Ukrainian peace talks again broke down will do nothing to support sentiment," analysts at Sberbank Investment Research wrote in a note.

In contrast to the ruble, Russian stocks were stronger on Monday. They were pricing in the rebound in the price of oil on Friday evening, which occurred after the Moscow stock exchange had closed.

On Monday, the dollar-based RTS index was up 1.15 percent to 745.82 points and the ruble-based MICEX was 1.36 percent lower at 1,625.31 points.

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