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Ruble Strengthens Sharply as Investors Bet on Oil Price Rally

By The Moscow Times

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A cashier takes a 500-rouble banknote from a cash register at a wine store in Krasnoyarsk.

The ruble and Russian shares rose on Tuesday, supported by a continuing rally in the price of oil, Russia's chief export.

At 1:25 p.m. Moscow time the ruble was 3.3 percent firmer to 66.29 against the dollar and up by around 2 percent to 76 against the euro.

The ruble-based MICEX share index was up 1.79 percent to 1654.36 points, while the dollar-based RTS index rose 5.48 percent to 786.69 points.

International oil benchmark Brent was around 2.5 percent stronger on Tuesday at over $56 per barrel, continuing a strong rally that began on Friday, as some investors bet that crude's seven-month-long rout is over.

"It's all about oil," VTB Capital analyst Maxim Korovin said in a note. "If crude oil at least

finds the ground here, we think the ruble has more grounds for strengthening."

The reaction of Russian asset prices to the oil price rebound has been relatively muted, however, with sentiment weighed down by the escalating conflict in Ukraine and Russia's own deteriorating economy.

Fighting is continuing in eastern Ukraine between government forces and pro-Russian rebels, following the collapse of peace talks in Minsk on the weekend.

On the weekend Russia's economy ministry announced revised macroeconomic forecasts under which it sees the economy shrinking by 3 percent this year — a relatively optimistic view.

"The positive factors are being negated by geopolitics, the prospects of sanctions and recession," BCS analyst Mark Bradford said in a note.

In a sign of selling pressure on the ruble last Friday, when the Central Bank unexpectedly cut interest rates, the bank said on Tuesday that it had sold $690 million in forex on behalf of the Finance Ministry on Friday.

Since mid-December the Central Bank has refrained from interventions on its own account, while the Finance Ministry has sold $3.92 billion as part of a package of government steps to calm the currency market.

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