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Russian Assets Gain on Ukraine Peace Talks, Rallying Oil Price

By The Moscow Times

February 06, 2015



Ukraine's President Petro Poroshenko (C) shakes hands with German Chancellor Angela Merkel and French President Francois Hollande during their meeting in Kiev, Feb. 5, 2015.

The ruble and Russian shares continued to rally on Friday as markets awaited the outcome of high-level peace talks to end the war in eastern Ukraine and the oil price firmed.

At 08:30 GMT, the ruble traded 1.2 percent higher at 65.82 against the dollar and 1.4 percent up at 75.35 versus the euro.

The dollar-denominated RTS index was up 2.8 percent to 827 points and the ruble-based MICEX was 1.9 percent higher at 1,718 points.

German Chancellor Angela Merkel and French President Francois Hollande will meet Russian President Vladimir Putin later on Friday to discuss details of a new plan to end the conflict in eastern Ukraine, where fighting has intensified between government forces and pro-

Russian separatists.

"If the sides manage to achieve some sort of agreement the Russian currency could strengthen sharply. In the absence of consensus the ruble accordingly could correct part of its recently gained positions," Gleb Zadoya, head of analysis at Profit Group, said in a note.

Merkel and Hollande met Ukrainian President Petro Poroshenko on Thursday to present details of their plan. Following the talks, Poroshenko's office said they "gave hope that there would be a new cease-fire."

The outcome of the talks is particularly important for Russian financial markets because of the possibility that Western sanctions against Russia could be eased if peace takes hold in Ukraine.

"Undoubtedly the [Moscow peace talks] could have a highly positive significance for the market ... If the plan suits everyone, part of the sanctions could be lifted," Alfa-Forex analyst Andrei Dirgin said in a note.

However, investors are likely to remain cautious. A peace deal reached in Minsk last September has unravelled, leading to a resumption of full-scale fighting in eastern Ukraine.

Russian assets were also boosted on Friday by a renewed strengthening of the oil price, with international benchmark Brent up about $1 to $57.6.

Oil has been volatile this week but has seen a broad rally from below $50 a barrel last week, leading some investors to bet that its seven-month-long rout is over.

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