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Russian Assets Fall Back Ahead of Crisis Talks on Ukraine

By The Moscow Times

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People walk past a board showing currency exchange rates in Moscow.

Russian assets fell back on Tuesday, erasing gains made earlier in the day, as oil prices ticked lower and as market participants were cautious ahead of a new round of talks on the Ukraine crisis.

At 6:35 p.m., the ruble was around 0.6 percent weaker against the dollar at 66.30 and lost 0.6 percent to trade at 74.90 versus the euro.

The ruble-based MICEX index was down 0.3 percent to 1,743 points, while the dollar-denominated RTS index lost 1.4 percent to 828 points.

The leaders of Russia, Ukraine, Germany and France are due to meet in Minsk, Belarus, on Wednesday to try to broker a peace deal for Ukraine, days after talks in Moscow.

Advances by pro-Russian rebels and a rocket attack that killed civilians and soldiers deep in

Ukrainian government-held territory on Tuesday appeared to diminish hopes that a peace deal could be sealed at the talks.

"All eyes are now on the progress being made through diplomatic efforts to resolve the conflict in Ukraine," Slava Smolyaninov, an analyst at UralSib bank, said in a note.

"Military operations are continuing... The threat of military weapons being supplied from the United States is growing, which has raised the stakes to unprecedented levels in the Ukraine crisis," he said.

Adding to the pressure on Russian assets, benchmark Brent crude oil futures fell more than 1 percent towards $57 a barrel. Oil is Russia's biggest export.

Analysts at Nordea Bank said the ruble was trading at close to its fair value given current oil prices but that trading was likely to remain volatile given uncertainty over diplomacy on Ukraine.

If the talks yield results and exporters step up foreign currency sales, the ruble could strengthen towards 60 rubles per dollar this month, they said in a note.

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