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INDEPENDENT NEWS FROM RUSSIA

Ruble Falls Ahead of Minsk Peace Summit

By The Moscow Times

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

Russian assets were mixed on Wednesday, with rising hopes of a new peace deal to end the war in Ukraine helping stocks, but the ruble weighed down by a sharp decline in oil prices.

At end of day the ruble-based MICEX stock index was up 1.22 percent to 1,76 points while the dollar-based RTS had gained 0.78 percent to 832.

The gains reflected growing optimism that a four-way summit between the leaders of Russia, Ukraine, France and Germany, in the Belarussian capital Minsk, would produce a deal to end the war in Russia's neighbor Ukraine.

"Market players are watching the course of negotiations with optimism ... and are placing big hopes on today's meeting," Raiffeisen Capital analyst Sofia Kirsanova said in a note.

Russian officials have been putting a positive spin on the summit. A Russian diplomatic

source said that there was a 70 percent chance of success, while Foreign Minister Sergei Lavrov referred to "notable progress."

"There is more and more information indicating that in Minsk today an agreement will be signed, which will be the basis for the restoration of peace in Ukraine," InstaForex analyst Anton Fomin said in a note. "This could be the basis for an unwinding of anti-Russian sanctions."

However, heavy fighting is continuing in eastern Ukraine between government forces and pro-Russian separatists. Ukraine said that 19 of its soldiers were killed in a battle for a strategic town, while the separatists said civilians had died when a shell hit a bus in regional capital Donetsk.

In a possible sign of reviving investor interest in Russia, two treasury bond auctions saw the Finance Ministry sell most of the 20 billion rubles ($300.76 million) of bonds on offer, a change from recent months when it has often struggled to attract investors.

However, the rising peace hopes appeared to do little to help the ruble, which extended losses during the day.

At 8:08 p.m. Moscow time, the ruble was up 1 percent against the dollar at 66.15 and 0.7 percent stronger at 74.65 versus the euro.

The Russian currency was being weighed down by a sharp slide in global oil prices. Oil is a key driver for all Russian assets, but particularly important for the ruble because of the impact of lower oil prices on export revenues.

International benchmark Brent fell 3.4 percent to $54.5 per barrel, which reflected renewed fears about excess supply as invested braced for weekly U.S. inventories data that is likely to hit a record high.

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