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Oil Price Rally Helps Stablize Russia's Ruble Amid Uncertainty Over Ukraine

By The Moscow Times

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A worker walks past pump jacks on an oil field near the village of Nikolo-Berezovka, northwest from Ufa, Bashkortostan.

The ruble was steady on Wednesday and Russian stocks opened higher, with a rally in the oil price balancing uncertainty about the fate of a peace deal for Ukraine.

At 07:35 GMT the ruble was flat against the dollar at 62.52 and 0.1 percent stronger at 71.27 against the euro.

The dollar-based RTS stock index was up 2 percent to 913 points while the ruble-based MICEX was up 1 percent at 1,813.

Russian markets were reacting to a rally in the oil price on Tuesday, which has pushed Brent back above $62 a barrel.

Brent was down 0.5 percent on Wednesday morning, however, at 62.2 per barrel, still close

to two-month highs.

The ruble had largely priced in the oil price rally on Tuesday evening, when the stock market was closed.

The impact of the firming oil price has helped to offset the situation in eastern Ukraine, where heavy fighting is continuing despite last week's peace deal in Minsk.

Pro-Russian separatists are attacking government troops in the strategic rail-hub of Debaltseve in defiance of a cease-fire agreement, raising uncertainty about the peace deal.

The United Nations Security Council backed the Minsk agreement overnight, calling for an immediate end to fighting, but Russian President Vladimir Putin called on the Ukrainian troops in the town to surrender.

"At the centre of attention of the Russian stock market today remains geopolitics and the problem with observing the Minsk agreements," Rossiisky Capital analyst Anastasia Sosnova said in a note.

VTB24 analyst Oleg Dushin said that the contradictory news background meant the market lacked a clear direction.

"The situation in the Debaltseve 'pocket' looks bad for Ukrainian troops, but the European Union is clearly not rushing to declare the Minsk agreements failed," he said in a note.

The fate of the Minsk peace deal is a crucial driver for Russian financial markets as it is likely to determine the future course of Western sanctions against Russia.

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