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Russian Ruble Weakens as Oil Prices Fall, Dollar Rallies

By The Moscow Times

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Russia's ruble weakened on Tuesday after a three-day holiday weekend, as the U.S. dollar strengthened and oil prices fell.

At 5:00 p.m., the ruble was around 1.9 percent weaker against the dollar at 61.60 and 1.1 percent lower against the euro at 66.26. Most emerging markets currencies also fell against the dollar.

Russian markets were closed on Monday for International Women's Day celebrations.

Brent crude oil futures slipped below $58 per barrel on Tuesday. Oil remains Russia's chief export and a good guide to the ruble's behavior.

"The biggest pressure on the Russian currency (on Tuesday) comes from oil," Ivan Kopeikin, an analyst at BKS Express investment house in Moscow, wrote in a note. "The nearest resistance level for the ruble/dollar pair is around 62. Support level is around 59.5"

Some analysts say the Russian currency may trade around its current levels for much of the week, before a Central Bank monetary policy meeting on Friday. Analysts polled expect the Central Bank to leave its key rate at 15 percent, but some in the market expect a rate cut.

"Recent data flow has seen further evidence of stabilization in devaluation expectations, as well as fast normalization in the inflation run rate," Vladimir Kolychev at VTB Capital bank wrote in a note.

"Meantime, risks to financial stability from a protracted credit crunch are on the rise, suggesting a faster reversal of emergency policy tightening might be justified."

At its last policy meeting, in January, the Central Bank cut its key rate by 200 basis points after hiking it in an emergency move in mid-December as it tried to defend the ruble.

Analysts at Rosbank said the current high interest rates were a factor supporting the ruble in the short term.

"Carry trade still remains an attractive possibility, especially in the run-up to a possible cut in the key rate by the Bank of Russia at its meeting on March 13," they said in a note.

Moscow shares traded lower, with the ruble-based MICEX down 0.9 percent to 1,712 points and the dollar-denominated RTS index down 1.6 percent to 889 points.

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