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Ruble Strengthens as Exporters Sell Forex Reserves for Tax Payments

By The Moscow Times

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A picture illustration shows Russian ruble and U.S. dollar banknotes.

Russia's ruble strengthened on Tuesday, helped by forex sales that analysts attributed to exporters gearing up for the end-of-month tax period.

A pause in the U.S. dollar's surge, which has pressured emerging market currencies, also supported the ruble.

At 10:45 GMT, the ruble was about 0.7 percent stronger against the dollar at 61.77 and gained 0.3 percent to trade at 65.58 versus the euro.

Forex sales appeared to offset the negative impact of a drop in oil prices, a key driver for all Russian assets because oil is Russia's chief export. Brent crude oil was trading at about $53 a barrel, 1.6 percent lower than its previous close.

"The strength of the ruble possibly lies in exporters selling foreign-currency revenues in

preparation for tax payments, as well as the lack of a large number of institutional investors betting on the ruble weakening," analysts at Rosbank said in a note.

The monthly tax period began on March 16 but the bulk of taxes fall due next week, including the profit tax and mineral extraction tax, two of the largest.

Russian officials continue to monitor exporters' forex sales as part of measures to prevent a repeat of a collapse in the ruble seen in December. Exporters typically sell their forex early in the trading session, market participants say, meaning pressure on the ruble could grow later on Tuesday.

The ruble has recovered more than 12 percent against the dollar since early February, helped by higher oil prices, an improving current account surplus and Central Bank loans to boost forex liquidity. A pickup in the currency has enabled the Central Bank to cut interest rates to try and revive the economy.

Some analysts expect the currency to strengthen in the mid-term due to a further recovery in oil prices and lower capital flight. ING Bank said in a report on Tuesday that it expects the ruble to be about 52 to the dollar in a year's time.

The dollar fell slightly against a basket of major currencies after weaker-than-expected U.S. data cooled expectations that the Federal Reserve will raise interest rates in the middle of this year.

Russian shares, meanwhile, rebounded after falling with oil prices on Monday.

The dollar-denominated RTS index rose 1.5 percent to 824 points, while its ruble-based peer MICEX was 0.5 percent higher at 1,617 points.

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