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Ruble Storms to 2015 Highs as Exporters Sell Off Foreign Currency

By The Moscow Times

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A man uses an automated teller machine in central Moscow.

The ruble hit fresh 2015 highs early on Wednesday as Russian exporters sold foreign currencies to pay monthly taxes, before falling back sharply after these taxes had been paid.

At 8:09 p.m. Moscow time, the ruble was up 0.7 percent against the dollar at 57.3 and 0.2 percent stronger at 62.86 versus the euro.

The Russian currency had traded as much as 2 percent higher on the day, setting a new 2015 peaks of 56.61 per dollar and 62.09 per euro, but it dropped toward evening after major taxes had been paid. Mineral extraction tax, value-added tax and excise duties fell due on Wednesday.

In a sign that the monthly tax cycle is currently playing a bigger role than the oil price, the ruble had strengthened despite oil weakening in the morning then fell back as crude prices

rose. International benchmark Brent crude was up 0.8 percent on the day at $55.57 per barrel.

The ruble is normally closely tied to the price of oil, Russia's main export, but other factors have played a bigger role over recent weeks, which have seen an impressive ruble rally despite little upward momentum in oil markets.

Analysts at VTB Capital said the ruble has been one of the strongest emerging market currencies this year, having fully pared first-quarter losses against the dollar despite a 4.6 percent decline in Brent.

Forex Club analyst Alena Afanaseva said in a note that the behavior of household depositors may have been a factor behind the ruble's recent strength, with Russians flocking to convert savings into rubles that they sold in a panic in December.

Tatiana Orlova, senior Russia economist at RBS in London, said the ruble market was failing to take proper account of the possibility of progress in talks over Iran's nuclear program, which could lead to more Iranian crude being released onto the global oil market.

"If there is any positive outcome to the meeting, such as a roadmap for gradual lifting of sanctions, this would have a big impact on oil market and oil prices could correct sharply [down]," she said.

Russian stock indexes eased down in both ruble and dollar terms, following trends on global equity markets, which retreated on Wednesday.

The dollar-based RTS index of Russian stocks closed down 0.3 percent to 878 points while the ruble-based MICEX index was down 0.2 at 1,616 points.

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