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Ruble Extends Losses After Russia's Central Bank Raises Forex Repo Rates

By The Moscow Times

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A board showing currency exchange rates is on display in Moscow, April 20, 2015.

The Russian ruble fell on Tuesday, extending losses from Monday when the Central Bank said it would raise the rates at which it lends foreign currency to banks.

At 11:35 GMT, the ruble was 1.3 percent weaker against the dollar at 54.02 and had lost 0.8 percent to 57.69 versus the euro.

Lower oil prices also contributed to the ruble's weakness, with international benchmark Brent down 1 percent to $62.8 per barrel.

By raising its forex repo rates the Central Bank has given the market a clear message that it does not want the ruble to extend its rally seen in the first half of the month.

The Central Bank has raised its forex repo rates three times in the last month, toughening the

terms of a facility that was introduced late last year when the ruble was plunging and forex was in scarce supply.

"The regulator is continuing to react to the visible improvement in the situation on the currency market," ING economist Dmitry Polevoy said in a note.

He added that end-of-month tax payments, requiring the conversion of exporters' foreign currency earnings, should provide support for the ruble in the days ahead.

Pavel Shchipanov, head analyst at Romanov Capital, said in a note that the ruble was also coming under pressure because of growing expectations that the Central Bank will cut its main ruble lending rate, the minimum auction repo rate, when it meets to discuss rates on April 30.

"The majority of experts are inclined to expect a cut of 2 [points] from the current level of 14 percent," he said.

Russian stock indexes were mixed, reflecting the weaker ruble. The dollar-based RTS index was down 0.5 percent to 991 points while the ruble-based MICEX index was up 0.9 percent to 1,699.

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