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Russian Ruble Firms as Taxes Trump Rate Cut Fears

By The Moscow Times

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A board showing currency exchange rates is on display in central Moscow.

The ruble made new gains on Thursday, supported by impending monthly tax payments that require the conversion of export earnings, and ignoring expectations the central bank will soon cut interest rates.

"The Russian currency is enjoying demand thanks to the tax week, however there's every reason to suppose that it won't conquer the level of 50 per dollar," Instaforex analyst Anton Fomin said in a note. "Most probably, as it approaches that level, the central bank will again enter the game, after which the ruble will again be under pressure."

The dollar briefly fell below 50 rubles per dollar in the middle of last week, only to then see a heavy sell-off, exacerbated by the central bank's decision on Monday to raise the rate at which it lends dollars to banks.

The central bank meets on April 30 to discuss its main ruble policy rate, which it is expected to cut due to the ruble's strengthening as well as diminishing inflation concerns.

The ruble typically strengthens before major tax payments. On Monday and Tuesday, Russian companies must pay VAT, mineral extraction tax and profits tax.

Russian stock indexes were mixed in early trading on Thursday, in part reflecting the stronger ruble. The dollar-based RTS index was up 0.4 percent at 1,007 while the ruble-based MICEX fell 1.6 percent to 1,650 points.

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