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Ruble Up Against U.S. Dollar, Despite Central Bank Forex Purchases

By The Moscow Times

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

The Russian ruble edged up against the dollar and euro on Friday after falling the previous day when the Central Bank announced it had started buying foreign currency to replenish its reserves.

At 08:20 GMT the ruble was 0.1 percent stronger against the dollar at 50.07 and 0.4 percent stronger at 57.00 against the euro.

The ruble fell sharply on Thursday in response to the Central Bank's decision to purchase $100-200 million in foreign currency each day, a sign it thinks the ruble has strengthened enough.

On Friday, the Central Bank said it had purchased $181 million in foreign currency on May 13, the first day of these interventions.

Analysts said on Friday that although the Central Bank's announcement had been negative for the ruble, the market reaction was proving relatively muted.

"It's worth noting how the pressure on the ruble has exhausted itself," senior Forex Club analyst Alena Afanasiyeva said in a note.

"Investors began to sell the Russian currency as a reflex reaction, but after analyzing the situation more deeply came to the conclusion that in fact replenishing reserves will serve to stabilize the Russia economy."

Analysts at VTB Capital said that the impact of the Central Bank interventions was marginal because of their small size. "However, sentiment-wise it creates a somewhat negatively skewed basis for the ruble," they wrote.

"Besides we suppose that pressure on the ruble might mount due to other factors: the looming increase in external debt redemptions, dividend payments and seasonally higher demand for FX from the population."

Russian stock indexes were stronger on Friday, following a rally on Wall Street on Thursday which has lifted global markets.

The dollar-based RTS index was up 0.9 percent to 1,064 points, while the ruble-based MICEX rose 0.8 percent to 1,691.

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