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Russian Ruble Strengthens on End-of-Month Tax Payments

By The Moscow Times

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Russia's ruble strengthened slightly on Monday, supported by end-of-month tax payments and weak forex demand, but trade was thin because London and U.S. markets were closed for public holidays.

The Russian Central Bank cancelled a one-year forex repo auction that had been scheduled for later on Monday, citing reduced demand for foreign currency.

"At the moment, banks do not need to take on greater debt via foreign-currency repos for a 364-day period," the bank said in a statement. It said it would continue to tweak the limits for the repo auctions depending on banks' demand for dollars.

At 13:05 GMT, the ruble was about 0.1 percent stronger against the dollar at 49.98 and had

gained 0.3 percent to trade at 54.91 versus the euro.

"The situation is being determined by today's local tax payments and the closure of foreign markets," analysts at Nordea Bank said in a note.

Several taxes fell due on Monday, requiring exporters to convert a portion of their foreign currency earnings into rubles, underpinning the Russian currency. The last large tax to be paid this month, profit tax, falls due on Thursday.

Brent crude oil, an important driver for Russian assets as oil is the country's main export, was 0.2 percent weaker at $65.2 a barrel.

The Central Bank also said it had bought a further $200 million worth of foreign currency on May 21 to replenish its reserves.

Russian share indexes, meanwhile, lost ground.

The dollar-denominated RTS index and its ruble-based peer MICEX were both down 1 percent, at 1,040 points and 1,649 points respectively.

Shares in mid-sized bank Vozrozhdenie surged more than 25 percent, however, after the bank said it had decided to explore the option of a merger with Absolut Bank.

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