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Russian Ruble Weakens on Dollar Turnaround and Oil Price Dip

By The Moscow Times

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Russian ruble and U.S. dollar banknotes are seen on a table at a bank in Moscow.

The Russian ruble retreated on Tuesday as the U.S. dollar surged on global markets, oil prices slid, and the need for rubles to pay monthly taxes waned.

At 4:50 p.m., the ruble was 1.2 percent weaker against the dollar at 50.58 and down 0.4 percent to 54.82 versus the euro.

The ruble's weakness "is largely the result of the situation on the global forex market. Expectations of an increase in the U.S. Fed's rates have provoked a firming of the dollar on all fronts," TeleTrade analyst Alexander Yegorov said in a note.

The dollar was 1.2 percent stronger against a basket of major currencies on Tuesday, benefiting from comments on Friday by Federal Reserve Chair Janet Yellen that "it will be appropriate" to raise rates this year if the U.S. economy continues to improve.

The stronger dollar also pressured Brent crude oil, an important driver for Russian assets, which was trading 2.2 percent lower at just over $64 per barrel.

Analysts said less need by companies to raise local currency to pay monthly taxes was also working against the ruble.

The last large monthly tax, profit tax, falls due on Thursday, but the peak of payments has passed following Monday's deadline for mineral extraction tax.

The Central Bank on Tuesday kept the limit at its one-week forex repo auction at $100 million for the third week in a row.

It has slashed the limit on the instrument from as much as $3 billion in early April, the latest winding down of measures introduced late last year to support the ruble.

"One shouldn't forget the actions of the Central Bank, which are putting additional pressure on the currency market," BCS analyst Ivan Kopeikin said in a note. He referred to the bank's daily forex purchases, cuts in its key ruble lending rate, and tighter conditions for repo loans in foreign currency.

The ruble is up around 11 percent against the dollar this year. It rose partly as demand for foreign currency eased after foreign debt repayments by Russian companies and banks peaked in the first half of the year.

However, analysts at VTB Capital emphasized that debt repayments in June will be around double the level in May. The ruble may also come under pressure next month because of upcoming dividend payments to foreign shareholders.

Russian share indexes also fell on Tuesday, reflecting the slide in the oil price and ruble.

The dollar-denominated RTS index was down 1.3 percent to 1,028 points. Its ruble-based peer MICEX was 0.3 percent lower at 1,650 points.

Shares in VTB bank bucked the market trend, rising by 1.6 percent, gaining for the eighth straight day.

Analysts said there was no obvious reason for VTB's share price rise. A salesman at a Russian investment company drew a parallel with a similar surge in the share price of VTB last May, which proved short-lived.

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