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Russian Ruble Extends Losses on Ukraine, Central Bank's Forex Comments

By The Moscow Times

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Russian rouble and the U.S. dollar bank notes are seen in this illustration picture taken in Moscow.

A slide in the ruble accelerated on Thursday after the Russian Central Bank said its policy of replenishing forex reserves would continue over several years until the reserves had reached pre-crisis levels.

The Russian currency was also weighed down by a further slide in the international oil price and by Wednesday's bout of heavy fighting in eastern Ukraine, which has cast serious doubt on the durability of February's peace deal.

At 15:40 GMT, the ruble was 3 percent weaker against the dollar at 55.99 after losing nearly 3 percent in the previous session on news the Ukrainian conflict had escalated.

The ruble also lost 2.9 percent to trade at 63.00 versus the euro.

Central Bank Governor Elvira Nabiullina said on Thursday that the bank plans to increase its

gold and forex reserves to $500 billion, from a current $356.5 billion, over the next few years.

The bank has previously said that it plans to buy $100 million to $200 million each day, a pace that implies it will drain $25-50 billion from the forex market each year.

Deputy Governor Dmitry Tulin said that the bank envisaged reaching its target of $500 billion in three to five years, implying that the replenishment will continue at around the current pace.

Ukrainian troops and pro-Russian separatists on Wednesday fought their first serious battles in months, with both sides accusing the other of provoking the escalation.

"A nearly forgotten factor has returned to the market: geopolitics," Alena Afanasyeva, a senior analyst at Forex Club investment house in Moscow, wrote in a note. "For now, this factor will be decisive for the ruble's dynamics."

The ruble was also weighed down by a steep fall in the oil price, with international benchmark Brent down 2.5 percent to $62.20 per barrel, a day before OPEC meets to discuss production limits.

Russian stock indexes were mixed, with heavy losses in the dollar-denominated RTS index, which is dragged down by a weaker ruble.

The RTS was down 2.8 percent to 920 points and its ruble-based peer MICEX was up 0.5 percent to 1,637.

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