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Oil Rebound Pulls Ruble Back From Record Lows

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A board showing the currency exchange rates of the U.S. dollar and the euro against the ruble is on display in Moscow, Russia, Jan. 22, 2016.

A rebound in global oil prices on Friday helped lift the Russian ruble from record lows reached earlier in the week, easing fears of a downward spiral for the currency.

Around 1 p.m., the ruble had strengthened 3.3 percent to 79.9 against the dollar and 3.6 percent to 86.7 against the euro, as the price of Brent oil rose back above $30 per barrel. Russia is the world's largest energy exporter.

Only hours earlier, on Thursday, the ruble struck 85.9 to the dollar — its lowest since a redenomination in 1998. The currency is still around 9 percent weaker against the dollar than at the start of January. The weaker ruble fuels inflation will keep interest rates higher for longer, hampering economic growth.

Friday's strengthening eases pressure on the Central Bank, which according to Russian media called an emergency meeting on Thursday evening following days of steep ruble falls. The bank's chief Elvira Nabiullina on Thursday canceled a trip to the World Economic Forum in Davos, the RBC news agency reported.

When the ruble reached similar levels against the dollar in 2014, the bank at a midnight gathering hiked interest rates by 6.5 percent to stem a run on the currency, panic buying of hard currency by Russians and fears of meltdown in the financial sector.

This time around, banks and people appear to have adjusted and there has been little sign of panic. Kremlin spokesman Dmitry Peskov said Thursday the exchange rate was "volatile, but nowhere near collapse," while Nabiullina has said the currency is close to its "fundamental levels."

Stocks also rallied on Friday, with the dollar-denominated RTS up 5.2 percent at 665 points and the ruble-traded MICEX up 0.5 percent at 1,686 points. Both indexes are down sharply since early January.

The ruble's fall has followed that of oil, which has slumped from more than $100 per barrel in summer 2014, pushing Russia into recession. The economy contracting by an estimated 3.7 percent last year.

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