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INDEPENDENT NEWS FROM RUSSIA

Russian Ruble Ends Painful Week in Red, All Eyes on U.S. Vote

Russian stock market at six-month low as analysts say ruble has been heavily "oversold."

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The ruble is back near its lowest levels for the year as nerves spike ahead of the U.S. presidential election. **Sergei Kiselyov / Moskva News Agency**

Russian financial markets have suffered another painful week amid a surge in volatility and investor fears over the second wave of the coronavirus and next week's U.S. presidential election.

The ruble was down 0.5% against the U.S. dollar Friday, trading above 79 again for the first time in a month. The currency has lost around 5% this week alone amid some of the biggest sell-offs on global markets since the outbreak of the coronavirus crisis in March.

As new infections surged across in Europe, the U.S. and Russia, the EU's two largest economies — Germany and France — both announced a return to lockdown in a bid to stop

the spread of the virus.

Oil prices — a key influence on Russia's financial health — have dropped 10% since Monday as concerns spread about another potential supply glut as the outlook for the economy weakens. Lower mobility levels and weaker production generally mean less demand for the black stuff. With Russia, Saudi Arabia and other OPEC+ members not set to meet until the end of November to discuss their future oil production plans, prices tumbled to $37 a barrel in Friday trading — the lowest level in five months.

Russia's stock market was also down by 0.7% on Friday in dollar-terms, sinking to its lowest reading in six months.

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Russian analysts have been saying the ruble is "oversold" for weeks, ever since it started sliding following the news that Kremlin critic Alexei Navalny had been poisoned with Novichok. Yerlan Syzdykov, global head of emerging markets at asset managers Amundi said Friday that the currency was undervalued by as much as 10% in fundamental terms.

But markets have remained fixed on the possible downsides — a sentiment which intensified this week among a heavy sell-off of risky assets in Europe and the U.S.

"The re-emergence of geopolitical tensions in the summer, relating in particular to the crisis in Belarus and the alleged poisoning of Navalny, has weighed on Russian assets, especially the ruble," said Deutsche Bank analysts in a research note this week.

Even increased demand for rubles as a result of the Central Bank boosting its daily sales of foreign exchange reserves, and as large Russian businesses convert foreign currency to pay their tax bills, has not been enough to stop the slide, Veles Capital analyst Yury Kravchenko said.

Alongside surging infections, next week's U.S. election is the biggest issue weighing on investors nerves in the short-term, analysts say. The potential of an unclear result given expected delays to ballot-counting or a messy transfer of power should Democratic candidate Joe Biden come out on top is compounding an already worsening economic outlook.

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