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Ruble Drops Most This Year, Stocks Fall as Crude Oil Declines

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March 22 (Bloomberg) -- The ruble fell the most against the dollar this year and stocks retreated as oil, the country's chief export, dropped on concern a winding down of stimulus measures will cause the global economic recovery to falter.

The Russian currency weakened 1.1 percent against the dollar to 29.6050 at the close in Moscow, the biggest drop since Dec. 29. OAO Rosneft, the country's largest oil producer, declined 1.7 percent and OAO Sberbank, its biggest lender, fell 1.9 percent, pushing the 30-stock Micex Index down 0.3 percent.

Crude for April delivery slipped as much as \$2.11 to \$78.57 in New York on speculation governments around the world may follow India in raising interest rates, damping the recovery in global fuel demand. In the past month surging commodity prices bolstered investor appetite for the ruble and forced the central bank to ease the corridor within which it intervenes against the euro-dollar basket 22 times.

"Emerging markets have come under pressure from nervousness on interest rates," Kevin Dougherty, a fund manager at Moscow-based Pharos Financial Group, said by phone.

The ruble retreated 0.8 percent to 39.9463 per euro, leaving the currency 0.9 percent weaker at 34.2586 against the central bank's target currency basket, its first decline since March 15. Bank Rossii uses the basket to manage swings that hurt Russian exporters and producers.

Currency Interventions

Oil prices have risen from as low as \$33.98 a barrel in February 2009 to as high as \$83.95 on Jan. 11, improving the revenue prospects for the world's biggest energy exporter. Bank Rossii has a policy of moving its target trading band by 5 kopeks each time it buys \$700 million to slow the ruble's appreciation.

A stronger ruble hurts manufactures and constrains economic growth and the central bank should step up intervention to stop it from advancing too quickly, Deputy Economy Minister Andrei Klepach told reporters at a conference in Moscow March 16.

"From the point of view of the economy, the ruble shouldn't strengthen like this," Klepach said.

The regulator bought about \$18 billion of foreign currency between Feb.18 and March 19, according to Renaissance Capital in Moscow.

The currency basket is calculated by multiplying the dollar's rate to the ruble by 0.55, the euro to ruble rate by 0.45, then adding them together. The ruble remains within the 26 to 41 band the central bank pledged January 2009 to defend.

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