



The rouble picks up, gaining 6% against the dollar since mid-September

Between April and mid-September 2018, the rouble depreciated by nearly 18% against the US dollar despite improvements in Russia's macroeconomic fundamentals. These downward pressures reflect non-resident capital outflows following the announcement of new US sanctions in April and again in August, and the risk of further punitive measures after the mid-term elections. The share of sovereign debt held by non-resident investors declined to 26.6% at 1 September (vs. 34.5% in April).

Yet by raising its key rates by 25 basis points (bp) on 14 September, and by halting foreign currency purchases on behalf of the Finance ministry, the central bank cut short the downward slide of the rouble, which has since regained 6%. In the bond and money markets, tensions have been mild. Between April and September, 10-year government bond yields rose only 100bp, deposit rates declined and the increase in 5-year CDS was limited to 25bp.



Source: Datastream