

Ruble Will Stay Around Current Level, Vardanian Says (Update1)
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Feb. 20 (Bloomberg) -- Russia's ruble will hold above 41 against its dollar-euro basket should oil remain at more than \$40 a barrel, said Ruben Vardanian, chairman of Troika Dialog, Russia's oldest investment bank.

Should oil stabilize, the current ruble level is "good enough to restart the economy," he said today during Russian Business Week at the London School of Economics. "It is the right strategy in the current situation."

Investors and bankers are worried about how long the central bank will be able to hold 41, the level it pledged on Jan. 22 to defend after ending the ruble's gradual devaluation, Vardanian said. "The rate needs to be softly managed," he said.

The ruble dropped 0.7 percent to 40.4881 against the basket by 5 p.m. in Moscow today.

Russia's ruble slumped almost 40 percent against the dollar-euro basket since August as crude-oil prices fell and the global economic crisis spurred investors and Russian citizens to withdraw \$290 billion from the country, according to BNP Paribas SA. The \$1.7 trillion economy is sliding into a recession as the global credit squeeze restricts access to loans and erodes demand for energy and metals. The country is facing its worst financial crisis since its debt default a decade ago.

Budget Deficit

The crisis forced Russia to redraft its budget, which will now have a deficit -- the first in a decade -- that may reach 8 percent of gross domestic product, according to the government. Finance Minister Alexei Kudrin said the shortfall will be financed from Russia's two sovereign wealth funds, which together hold 7.9 trillion rubles (\$220 billion).

While the reserves will be sufficient to cover the deficit this year, Russia may need to borrow money to finance the shortfall next year in local or international markets, Vardanian said. Portfolio investors will avoid Russia as long as the U.S. and Japan remain in a recession, he said.

"Emerging markets will be closed for portfolio investors this year," he said. Still, this may be "an interesting time to enter the market" for investors seeking to buy "Russian assets." Investors may begin to return in the second half if "Russia shows good results," he said.

Troika has posted “small but positive” results in the first four months of its fiscal year that started in October as it advised on mergers and bankruptcies, Vardanian said. He declined to comment on a possible sale of the brokerage.

The bank won’t seek to sell another stake in Russian commercial-vehicle manufacturer OAO KamAZ “in the near future” because of the “current circumstances,” he said.