Russian ruble roulette essay sample

Economics, Currency

1. How would you classify the exchange rate regime used by Russia for the ruble over the 1991–2014 period?

– 1991-1998: Fixed exchange rate with restrictive capital controls

– 1998-2008: Managed floating rate

– 2009-2014: Dual-currency floating-rate band around a two-currency basket of the U. S. dollar and European euro

Russian Ruble Roulette: Case Questions

2. What did the establishment of operational bands do to the expectations of ruble speculators? Would these expectations be stabilizing or destabilizing in your opinion?

– Speculators would believe that once the market rate approaches one of the established operational bands that sufficient intervention would take place to push the market rate back towards the middle of the intervention band

– Any time market traders, speculators, investors, whatever label you use for them, believe that a market rate will be channeled back towards the mean, it is considered stabilizing

Russian Ruble Roulette: Case Questions

3. What would a depreciating ruble mean for Russia’s commercial trade and its war on inflation?

– A depreciating ruble, a weakening currency, would customarily be considered a benefit to various types of goods and services exports – if price is a driving force in sales.

– Russia, however, is a major exporter of commodities which are priced on the global market – like oil – and a weakening of the ruble will not particularly alter or affect their sales.

– A depreciating ruble will mean that if Russian consumers continue to purchase foreign goods, spending more and more rubles for those same goods, it will create added inflationary pressures.