



## Russia's \$186 Billion Sovereign Wealth Fund Dumps All Dollar Assets

### Description

USA: Following a series of corporate cyberattacks that American intelligence agencies have blamed on Russian actors, Russia's sovereign wealth fund (officially the National Wellbeing Fund) has decided to dump all of its dollars and dollar-denominated assets in favor of those denominated in euros, yuan – or simply buying precious metals like gold, which Russia's central bank has increasingly favored for its own reserves.

Finance Minister Anton Siluanov made the announcement Thursday morning at the annual St. Petersburg International Economic Forum.

"We can make this change rather quickly, within a month," Siluanov told reporters Thursday.

He explained that the Kremlin is moving to reduce exposure to US assets as President Biden threatens more economic sanctions against Russia following the latest ransomware attacks. The transfer will affect \$119 billion in liquid assets, Bloomberg reported, but the sales will largely be executed through the Russian Central bank and its massive reserves, limiting the market impact and reducing visibility on what exactly the sovereign wealth fund will be buying.

"The central bank can make these changes to the Wellbeing Fund without resorting to market operations," said Sofya Donets, economist at Renaissance Capital in Moscow. "This in some sense a technical thing."

Jordan Rochester, currency strategist at Nomura International PLC, said, "This is a transfer of euros from the central bank to the wealth fund, we'll then see the central bank the holder of the USDs and it's up to them to manage it. No initial market impact."

The news isn't a complete surprise: The Bank of Russia, Russia's central bank, has steadily reduced its dollar holdings over the last few years amid increasing sanctions pressure from the US and Europe. That trend continued through President Trump's term.

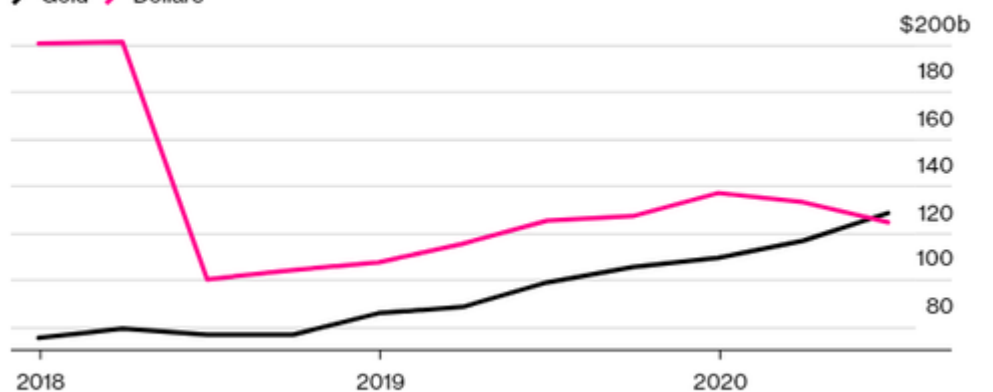
Just a few days ago, we reported that the Russian parliament had just authorized the sovereign wealth fund to buy gold through the central bank. However, the central bank reports its holdings with a six-month lag, making it impossible to determine its current holdings.

Russia's gold holdings eclipsed its dollar reserves last year despite a halt in gold purchases. This was partly due to an increase in the value of its gold holdings with the rise in gold prices, and partly a function of the central bank's continued efforts to shed dollar assets.

### Gold Stash

Gold surpassed dollar assets in Russia's reserves for the first time

Gold Dollars



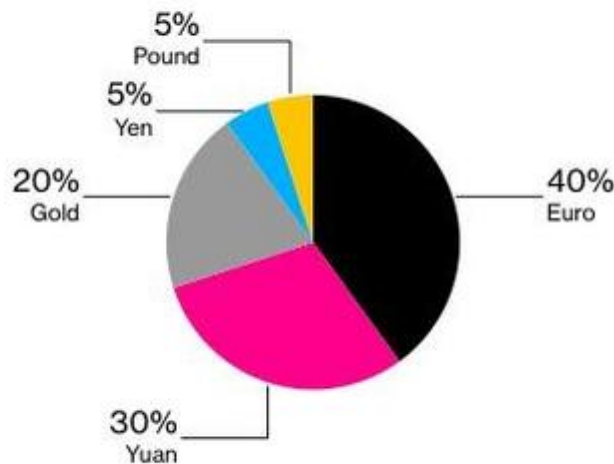
Source: Bank of Russia, data as of June 30, 2020

Graphic by Bloomberg

The wealth fund currently holds 35% of its liquid assets in dollars, worth about \$41.5 billion, with the same amount in euros and the rest spread across yuan, gold, yen and pounds. After this latest change, the fund's assets will be held 40% in euros, 30% in yuan, 20% in gold and 5% each in yen and pounds, Siluanov said.

## Dollar Out

Russia cuts out dollar from its wealth fund, adding to euro, gold, yuan



Source: Russia's Finance Ministry

Source: Bloomberg

The wealth fund holds savings from Russia's oil revenues above a cutoff price and is used to help offset shortfalls when the market falls below that level. Together with illiquid assets, **its total value is \$185.9 billion.**

A few years ago, Russian President Vladimir Putin warned that Washington was inadvertently accelerating de-dollarization with its aggressive financial sanctions, which were forcing its geopolitical adversaries to reduce their dependence on the greenback. Just last month, Russia reached a new milestone whereby fewer than 50% of its exports were paid for in dollars.

It appears that after years of steadily reducing its dependence on the dollar, Russia is about to intensify those efforts in a way that Washington will be forced to take notice.

by Tyler Durden

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