

1 Mexican peso is now worth 5 cents

by [Heather Long](#) @byHeatherLong January 22, 2016: 4:54 PM ET



Mexico looks especially cheap these days.

The peso fell to its lowest value ever against the U.S. dollar on Thursday. One Mexican peso is now worth barely more than a nickel (\$0.053 cents).

Investors are dumping emerging market stocks and currencies as they flee to assets that appear safer like U.S. government bonds.

"It's not just the peso. The [Russian] ruble [hit a record low](#) this week. The [South African] rand last week. It's a broad based sell-off in emerging markets," says Win Thin, global head of emerging markets strategy at Brown Brothers Harriman.

But the Mexican peso has been hit the hardest of them all in 2016.

The problem for Mexico is that it's one of the easiest emerging market currency to trade. So investors have been selling it as a proxy for emerging markets overall.

"It's a 'risk off.' People are selling anything that looks risky," says Thin.

Mexico is also suffering from the dramatic crash in oil prices. Crude oil plays a large role in the Mexican economy, accounting for [11% of exports](#). As oil fell

to its lowest level since 2003 on Wednesday, traders soured even more on the Mexico's currency.

Mexican leaders have been trying to stop the pain. Mexico's central bank has been intervening in the market by selling dollars and telling anyone who will listen that it believes the peso is oversold.

"My sense is the peso will return from the levels it is right now," Mexico's central bank Governor Agustin Carstens [told Bloomberg](#) this week in Davos.

Mexico's economy was [one of the best performers](#) in all of Latin and South America last year. Despite all the headwinds, it still [grew 2.3%](#).

The final fear factor driving the peso down is the U.S. Federal Reserve.

The Fed raised interest rates for the first time in nearly a decade in December, heightening concerns that emerging market companies that borrowed in dollars would have an even harder time repaying their debts.

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Russia's currency collapses to lowest level ever

by Ivana Kottasova

The Russian ruble has just collapsed to its lowest ever level.

It dropped 4% to 82 rubles per U.S. dollar on Wednesday, passing a previous low hit in late 2014 and piling on the pain for an economy already deep in recession.

The latest slump was triggered by another steep drop in oil prices -- crude [sank below \\$27](#) a barrel to its lowest level since September 2003. The ruble often mirrors movements in oil prices because the Russian economy is extremely dependent on energy.

Earnings from oil and gas exports make up roughly half of government revenues.

The oil price crash from over \$100 per barrel just 18 months ago has been disastrous for Russia. To balance its budget, the country needs to be able to sell oil for \$82 per barrel.

"The latest slide in oil prices has obviously darkened the outlook for Russia's economy," said Neil Shearing, chief emerging markets economist at Capital Economics.

Still, some Russian executives believe there could be an upside to the collapsing currency.

"The current situation is challenging, but the significant depreciation of the ruble made our national production more competitive," Alexey Mordashov, chief executive of Russian mining company Severstal, told CNN at the World Economic Forum in Davos. "I hope that Russia is reaching some kind of new equilibrium."

Ordinary Russians are paying the price. New lows for the ruble could put more pressure on Russian prices. Inflation reached 12.5% in 2015 while real wages kept dropping, leaving many people much worse off.

Official statistics show that over 20 million Russians, roughly 14% of the population, are now living in poverty. That compares with 16 million in 2014.

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