

Weekly Forex Review (July 11-15, 2022)



* dynamics of currency pairs on the charts are presented for the last 12 months

Over the past week, the national currency continued to decline against all traded currencies. During the week, the tenge weakened against the **US dollar by 1.15%** to 480.37 tenge, against the **ruble by 8.16%** to 8.35 tenge. The tenge has shown a weakening against the dollar by 2.13%, and a strengthening against the ruble by 7.2% (since the beginning of the year by 11.25% and 44.97%, respectively) since the beginning of the month.

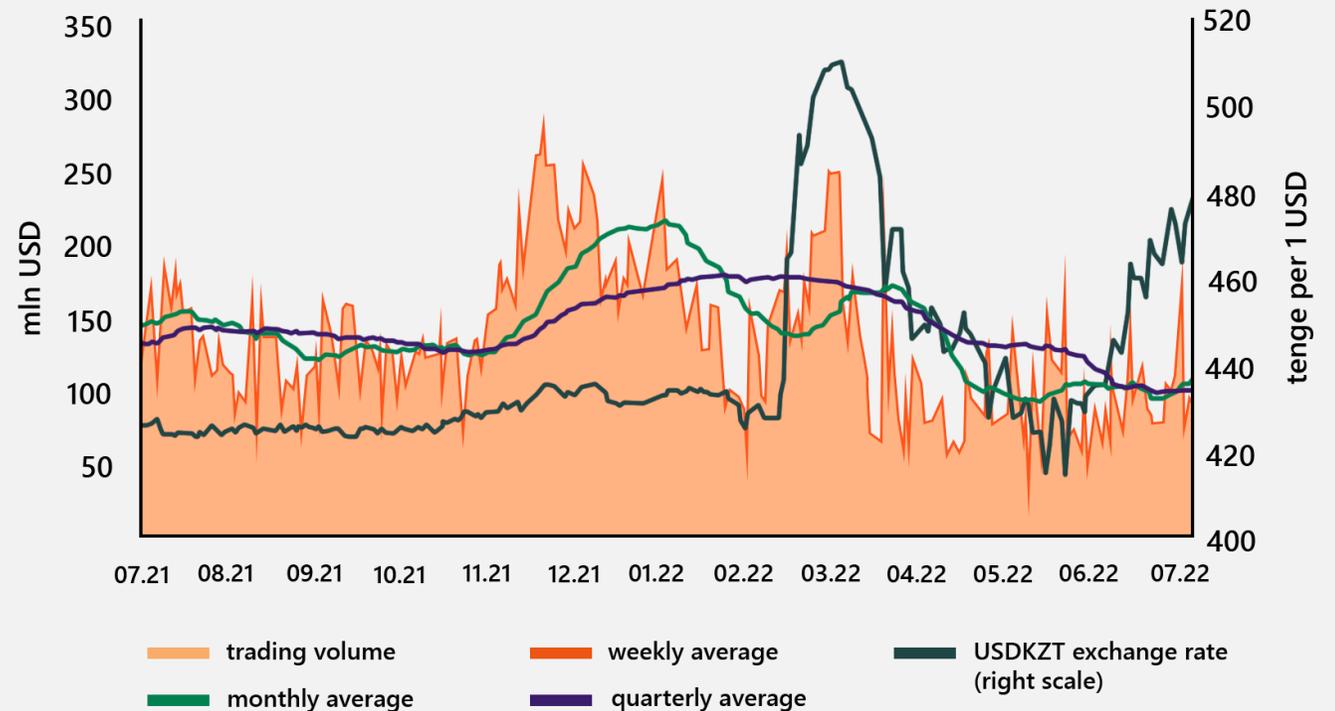
Last week, there was a slight increase in the volatility of the USD KZT pair. We note that during the trading day, the exchange rate is weak on small volumes in the absence of a wide offer, but then after volumes on the supply side it began to strengthen. As a result, during the trading day, we could see quite sharp spike in the exchange rate and disproportionately distributed volumes.

As a result, the trading volume of the USDKZT pair over the past week increased by 57.6% relative to last week's value (*an increase of 7.0% compared to the average weekly trading volume in 2022*) and amounted to \$ 635 million.

Currency pair	Weekly dynamics	Maximum	Minimum	Weekly volatility*
USDKZT		480.37	464.85	1.3%↑
RUBKZT		8.35	7.55	3.8%↓
EURKZT		482.15	469.59	1.1%↑
CNYKZT		71.1	69.3	1.0%↓

* volatility is calculated as the variation coefficient
 ▲▼ an increase or decrease in volatility compared to the previous period

USDKZT pair currency exchange trading



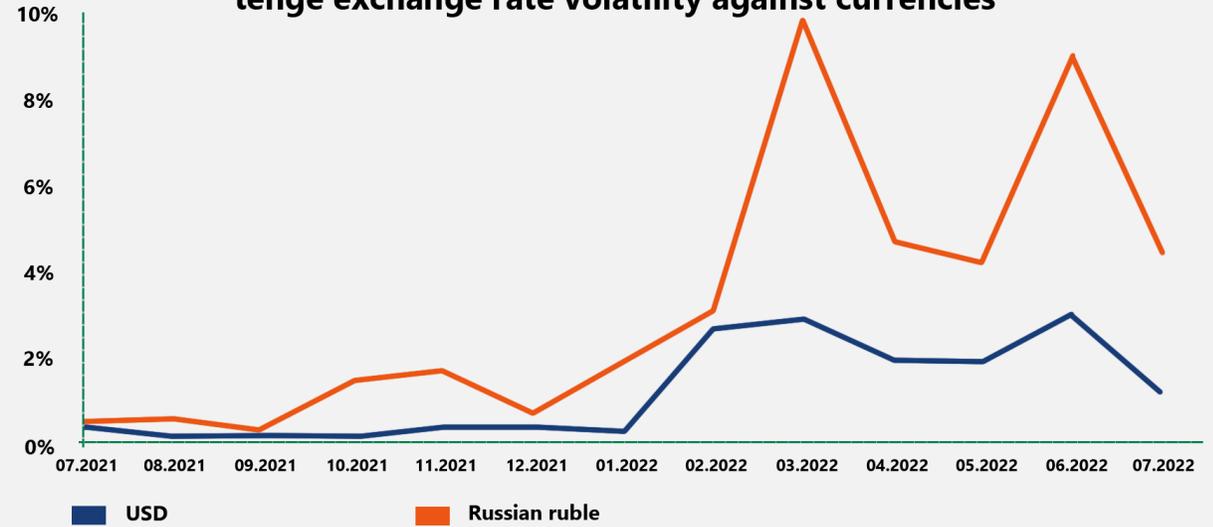
External factors of exchange rate formation

Over the past week, with an increase in volatility, oil showed the largest decline within the month. Intraday quotes were below \$95 per barrel of Brent crude. So, in the middle of last week a planned increase by Saudi Arabia oil production by +1 million barrels per day was known. In addition, according to the EIA, oil production is expected to increase in the main oil and gas producing areas of the United States, a significant part of the production in which is shale oil.

Expectations of a global recession and a shortage of demand with a planned increase in supply on the oil market will lead to a decrease in oil quotes and a revision of the income estimates of countries that are focused on exporting hydrocarbons, since the cost of production remains relatively high. Data on the cooling of the Chinese economy against the background of the fight against new COVID-19 outbreaks reinforce the perceived risks and a decline in raw materials demand. In the near future, there is no clear potential for oil quotes to remain above \$100 per barrel. At the same time, due to the current negative market sentiment, the risk of price declines closer to \$ 90 per barrel becomes more probable.

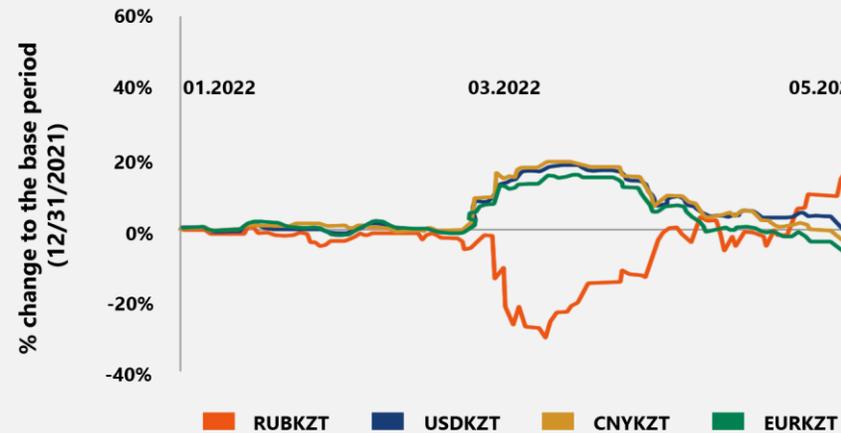
Amid concerns of a recession and a reduction in global demand, prices for major export goods continued to fall. Quotes on most commodity markets has shown a decline. Also, the seasonal increase in demand, which is traditional for China, is not expected this year. Zero tolerance policy for COVID-19 worsens the prospects for business activity in China, at least for the coming quarter.

tenge exchange rate volatility against currencies



Source: data of the National Bank of the Republic of Kazakhstan, calculations of Jusan Analytics

Dynamics of exchange rates



Source: data of the National Bank of the Republic of Kazakhstan, calculations of Jusan Analytics

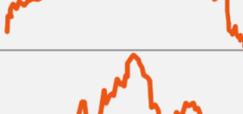
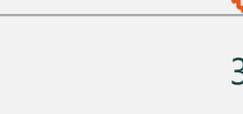
Thus, we note a rather negative background in prices for the main raw materials exported by Kazakhstan. Most likely that the peak of the most favorable price conditions for Kazakhstan's exports has been passed. All this is reflected in the adjustment of expectations for the growth of export revenues, and the risks of the further deterioration in global demand lead to an increase of the corresponding discount.

The dynamics of consumer price growth has sharply increased by 9.1% year-on-year in the United States. This is higher than experts' forecasts and indicates the need for a greater reaction to tightening monetary conditions on the FRS part. The expectation of more drastic measures only fuels concerns of a recession. These concerns, stock markets sales and other risky assets support the US currency. As a result, the dollar index continued to grow by 0.04% to a record 108.54. In the long term the appreciation of the dollar and unambiguous forecasts for its further growth will continue to put pressure on the tenge.

Jusan Analytics Opinion

The weakening of the tenge is affected by changes in fundamental conditions such as prices for the main exported commodities, the global strengthening of the dollar, the growth of imports and outflows due to the observed peak of economic activity. Market participants have carried out a certain reassessment of internal and, to a greater extent, external conditions. All this is reflected in the equilibrium rate shift towards weakening. The excessive degree of weakening is added by household inflation expectations and a decrease in the attractiveness of tenge assets. In our view, without raising rates on tenge assets or anchoring inflation expectations, the pressure on tenge will increase, especially if the assessment of external conditions shifts to the negative side.

Dynamics of the main export goods of Kazakhstan

	Closing price, USD	Change in a week, %	Change since 01.01.2022, %	Dynamics
crude oil	100.99	-5.0	+34.3	
wheat	794.00	-7.30	+3.02	
uranium	46.65	-3.62	+3.55	
iron ore	104.30	-5.16	-7.29	
zinc	270.20	-2.44	-5.29	
aluminium	2 380.00	-1.66	-15.23	
copper	7 158.00	-5.95	-26.36	

Source: [investing.com](https://www.investing.com), finance.yahoo.com

Upcoming tax payment periods in July-December, 2022

July				
Mn	Tu	Wd	Th	Fr
				1
4	5	6	7	8
11	12	13	14	15
18	19	20	21	22
25	26	27	28	29

August				
Mn	Tu	Wd	Th	Fr
1	2	3	4	5
8	9	10	11	12
15	16	17	18	19
22	23	24	25	26
29	30	31		

September				
Mn	Tu	Wd	Th	Fr
			1	2
5	6	7	8	9
12	13	14	15	16
19	20	21	22	23
26	27	28	29	30

October				
Mn	Tu	Wd	Th	Fr
3	4	5	6	7
10	11	12	13	14
17	18	19	20	21
24	25	26	27	28
31				

November				
Mn	Tu	Wd	Th	Fr
	1	2	3	4
7	8	9	10	11
14	15	16	17	18
21	22	23	24	25
28	29	30		

December				
Mn	Tu	Wd	Th	Fr
			1	2
5	6	7	8	9
12	13	14	15	16
19	20	21	22	23
26	27	28	29	30

big tax week (rent export tax, VAT, mineral extraction tax)

Source: uchet.kz

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