

Weekly Forex Review (June 4 – 8, 2022)



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

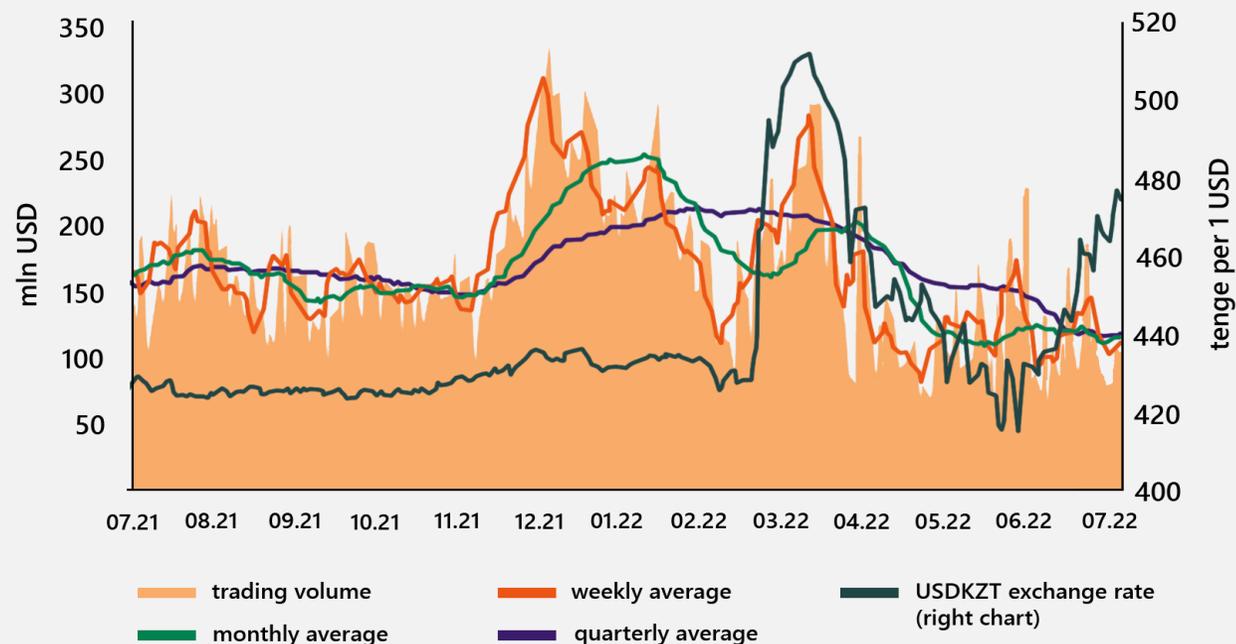
Currency pair	Weekly dynamics	Maximum	Minimum	Weekly volatility *
USDKZT		477.24	464.16	1.2%↑
RUBKZT		8.42	7.55	4.8%↑
EURKZT		486.78	480.52	0.5%↓
CNYKZT		71.20	69.38	1.2%↑

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

During the week, the tenge weakened **against the US dollar by 1.8%** to 474.92 tenge. At the same time, **the national currency against the ruble during this period strengthened by 9.8%** to 7.72 tenge. Since the beginning of July, the tenge has weakened against the dollar by 1.0%, against the ruble showed a strengthening by 14.0% (since the beginning of the year, weakening by 10.0% and 34.0%, respectively). The strengthening of the tenge against the ruble is in a greater degree due to the weakening of the Russian currency.

Over the past week the **trading volume** of the USDKZT pair compared to the previous one had decreased by 16.4% (or 30.6% compared to the average weekly trading volume in 2022) and amounted to \$ 403 million. The weakening of the national currency continues to be at relatively small volume, and it eliminates the hype factor. We note the relatively low volatility of the tenge-dollar pair between trading days, which may indicate static supply and demand: a tendency to simultaneous upward movement or preservation at a certain level.

USDKZT pair currency trading volume



Source: KASE

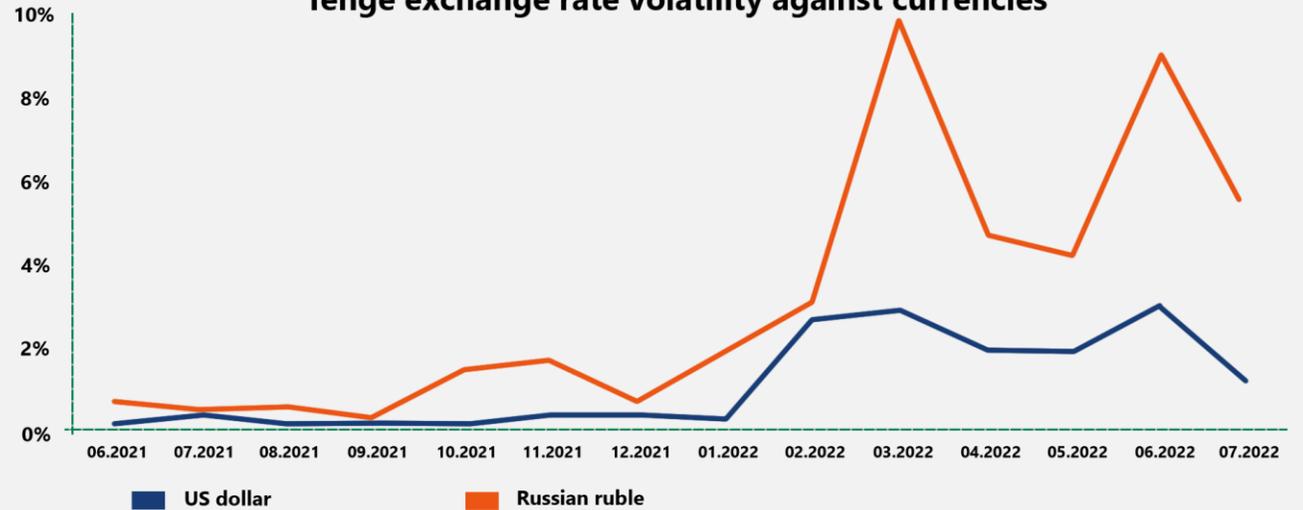
External factors of exchange rate formation

In fact, global markets are already reflecting following signs of recession and worsening of economic prospects: a decline in commodity and stock markets.

Oil quotes were also under pressure from negative sentiment, including related to the epidemiological situation in Europe. Quotes were declining despite signals to reduce of energy resources supply. So, during the week they have been falling below \$ 100 per barrel, but by the end of the week they have partially regained their positions and amounted to \$ 107. The expectations of market participants for further tenge positions were worsened by the problem with the transportation of Kazakh oil and an explosion at the Tengiz field, from where oil is exported to Europe via CPC.

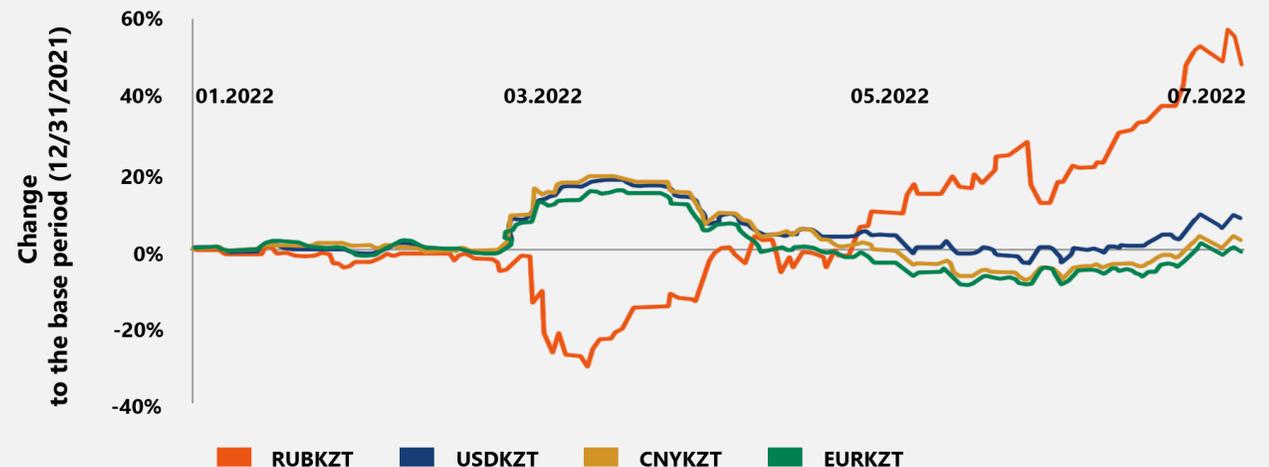
The declining global demand has not evaded the prices on the food market. According to the FAO, in June there was a negative trend in prices for oils, cereals, including wheat, and sugar – the FAO index fell to 154.25 points (3.7 p.p. lower than the May value). Also, the expectation of a new crop in the markets affects the value reduction. All this negatively affects the assessment of Kazakhstan's export earnings.

Tenge exchange rate volatility against currencies



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

Dynamics of currency pair fluctuations



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

The growing risks of a global recession, the consequences of measures to combat inflation from central banks of developed countries, as well as an increase in demand for the dollar as a protective currency contributed to its appreciation. By the end of the week the dollar index had reached 107% (+1.8% for the week). This, together with falling oil prices, put additional pressure on the tenge. We expect further strengthening of the dollar due to plans to tighten monetary policy against the background of economic activity meltdown.

Jusan Analytics Opinion

As participants in the foreign exchange market were concerned about new problems with the main oil pipeline of Kazakhstan, the dynamics of the tenge exchange rate over the past week was quite negative. Due to the global trend of strengthening the dollar and the deterioration of our expectations for the value of exports and imports, we shift the estimate of the equilibrium value of the exchange rate to 464-469 tenge (previously 459-464 tenge).

In our opinion, the prevailing factor of the current exchange rate formation is the negative expectations of market participants regarding the economic prospects (internal and external), that are expressed in the absence of market incentives to sell the currency at a lower price. At the same time, pressure from domestic demand for foreign currency remains: holiday season, an increase in imports as a result of the growth of economic activity and the transition of the business cycle to the "boom/growth" phase (according to the National Bank of the Republic of Kazakhstan business activity index). And in such conditions we do not see any reasons for a significant strengthening of the tenge.

Dynamics of the main export goods of Kazakhstan

	Closing price, USD	Change in a week, %	Change since 01.01.2022, %	Dynamics
crude oil	107.02	-1.3	+142.3	
wheat	893.25	+5.59	+15.89	
uranium	48.5	-5.37	+7.66	
iron ore	113.74	-0.62	+1.10	
zinc	279	+0.79	-2.21	
aluminium	2 383.75	-2.94	-15.09	
copper	7 805.5	-3.01	-19.70	

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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