

Weekly Forex Review (August 8 – 12, 2022)



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

Currency pair	Weekly dynamics	Maximum	Minimum	Weekly volatility
USDKZT		478.39	476.01	0.2% ▼
RUBKZT		7.96	7.81	0.8% ▼
EURKZT		493.67	485.53	0.6% ▼
CNYKZT		70.88	70.49	0.2% ▼

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

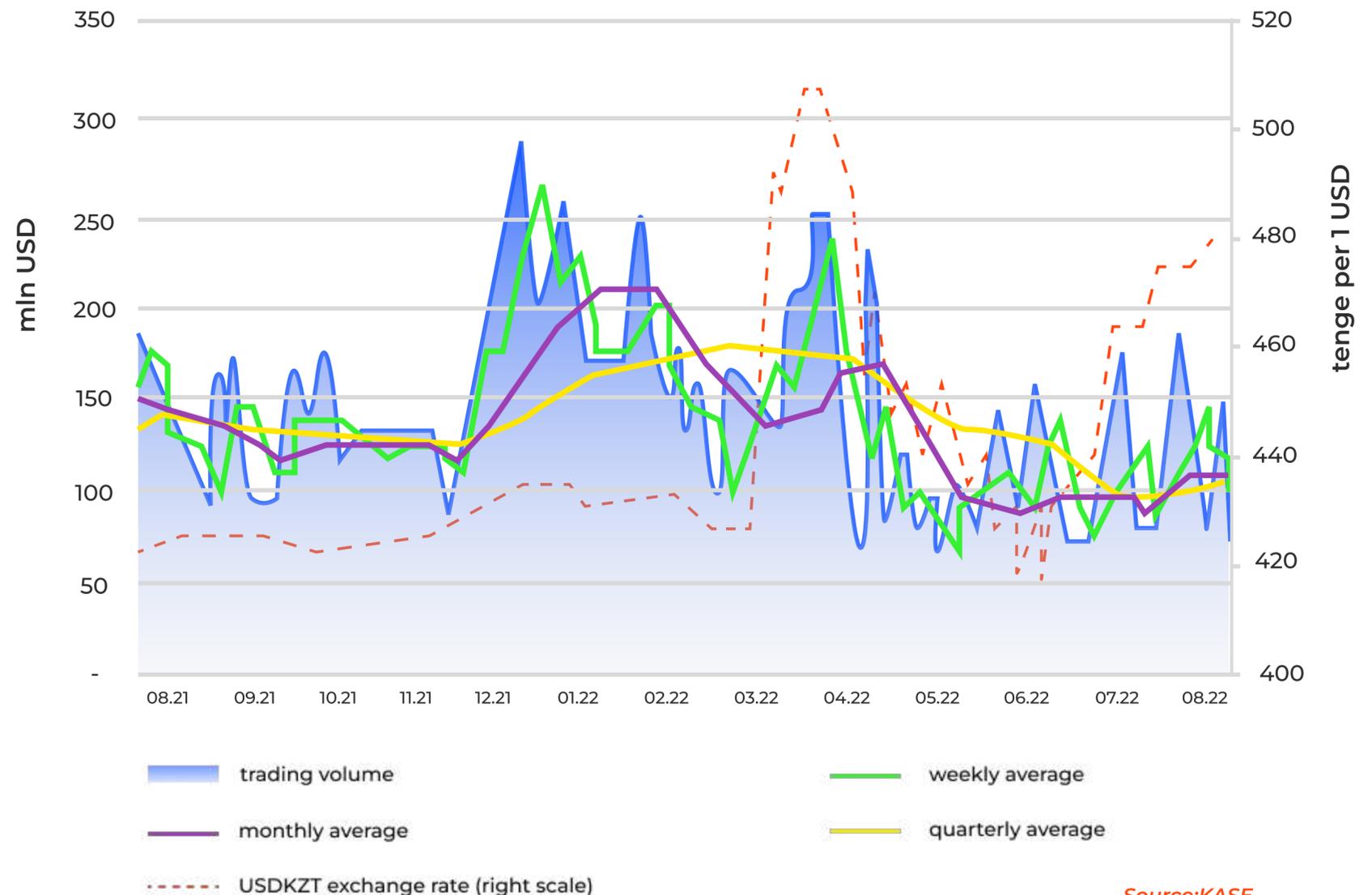
Over the past week, the tenge has mainly strengthened against the traded currencies. Thus, **the national currency strengthened against the dollar by 0.41% to 476.01 tenge, the ruble by 1.51% to 7.81 tenge, the yuan by 0.25% to 70.64 tenge, and against the euro weakened by 0.25% to 490.15 tenge.** Since the beginning of the year, the tenge has weakened against the dollar by 10.24%, against the ruble by 35.59%, against the euro by 0.21% and the yuan by 3.88%.

The considering week is characterized by the extinction of increased volatility in the domestic foreign exchange market in June-July 2022.

The weekly volatility of the tenge exchange rate against the dollar was 0.2% (-0.1 p.p. to the previous week, -1.0 p.p. to monthly volatility in July), and 0.8% against the ruble (-1.6 p.p. and -0.9 p.p., respectively).

This week the **trading volume** of the USDKZT pair decreased by 11.15% compared to the previous week (a decrease of 25.77% compared to the average weekly trading volume in 2022) and amounted to 428.70 million dollars.

USDKZT pair currency exchange trading



Source:KASE

The Tenge Index

On August 15, Jusan Analytics team announced the [Tenge Index \(KZTX JA\)](#), which is calculated **as the geometric weighted average of tenge exchange rates against foreign currencies (dollar, ruble, euro) multiplied by scaling factor**. That brings the Index value to 100 on the base date of the index calculation (December 2018).

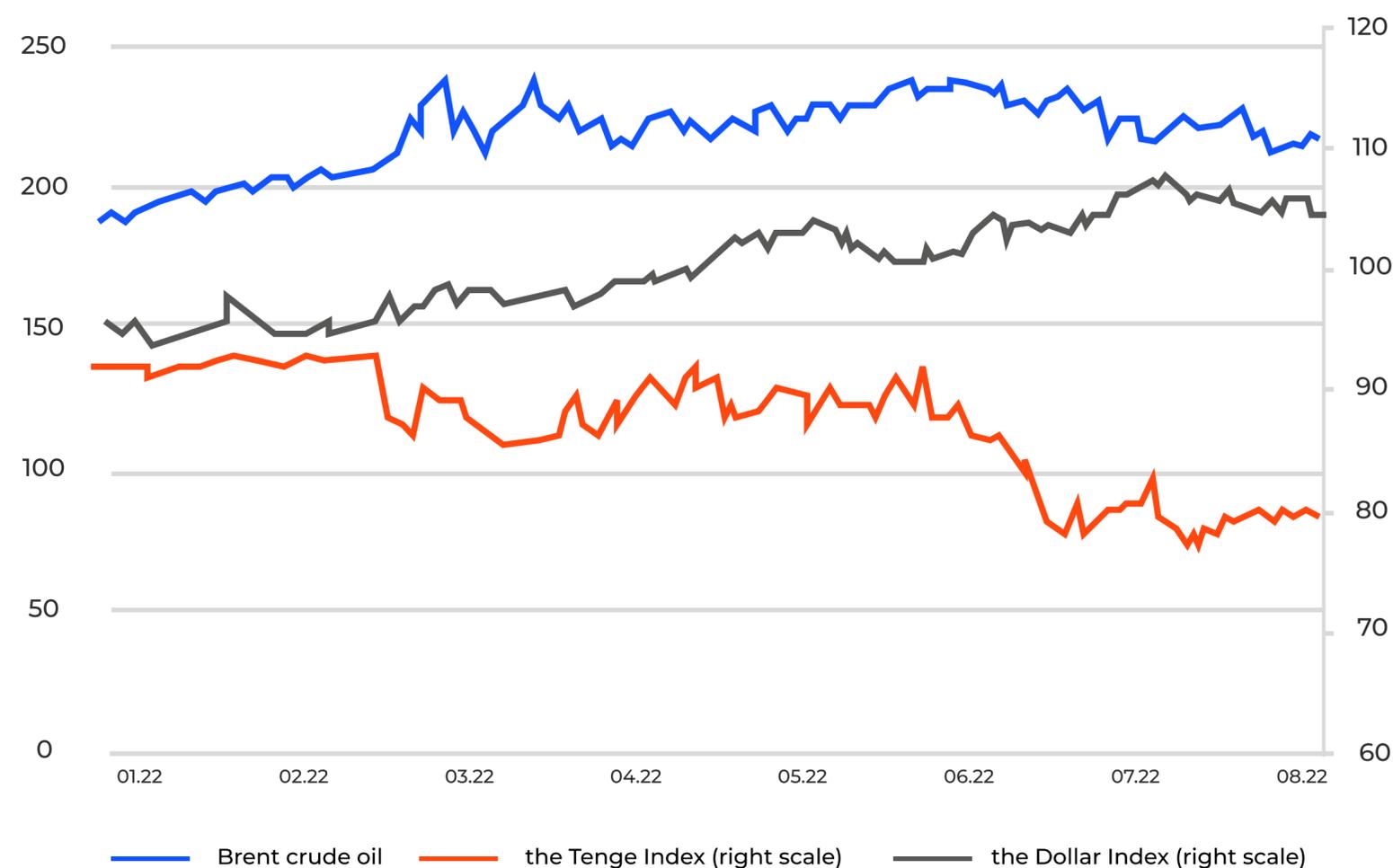
The Index reflects the **purchasing power of tenge to the main foreign currencies** used in trade and transfers. The growth of the tenge Index means the strengthening of the tenge against the major currencies, while the decline means the loss of the purchasing power of the domestic currency.

During the week under review, the **Tenge Index decreased by 0.3% and amounted to 78.5 points**. The weakening of the Index by 13.5% since the beginning of this year indicates the continued purchasing power loss of tenge relative to the currencies selected for its calculation.

The dynamics of the Tenge Index negatively track with the Dollar Index. Thus, the weakening of the dollar against other currencies means the tenge strengthening and, accordingly, the growth of its Index. The share of the dollar in the Tenge Index is 65%.

At the same time, despite rising oil prices, as one of the main fundamental factors of exchange rate formation, the Tenge Index shows a weakening. This indicates that internal fundamental factors have a greater impact, in particular, the premium for high inflation, which participants of the domestic foreign exchange market invest in the exchange rate.

Dynamics of changes in the Tenge Index, the Dollar Index and oil prices to the base period (December 2018)



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

External factors of exchange rate

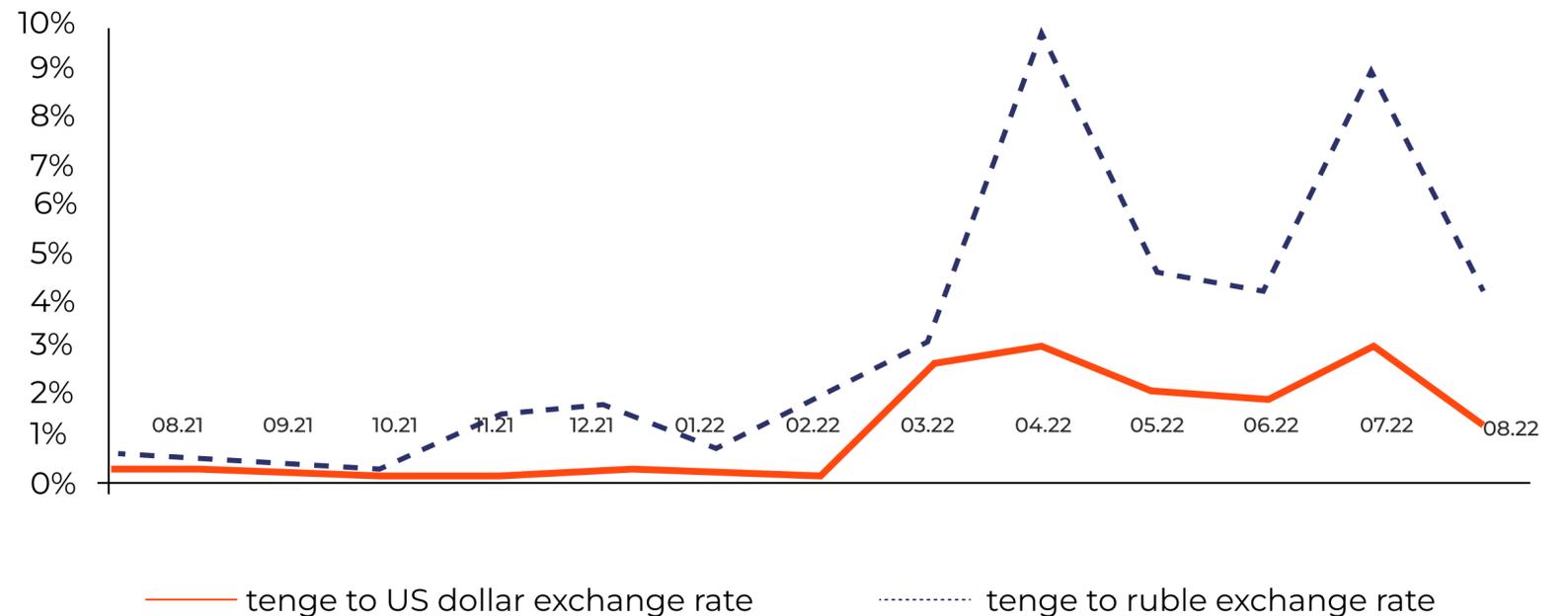
Prices on foreign markets during the week under review contributed to the tenge strengthening. The week ended positively in the energy market: oil quotes reached above \$ 98 per barrel of Brent crude (weekly growth – 3.40%). The inflation statistics in the United States, as well as data on oil production and reserves are the reasons for the growth in the oil market after its sharp drop last week.

The Consumer Price Index in the United States was below forecasts. And this led to expectation overviews regarding further monetary tightening in the US (softening of the Fed's hawkish rhetoric), easing concerns on recession and a decline in global demand. The expectation overviews pushed the Dollar Index down to 105.63 points (a decrease of 0.93%). The weakening of the dollar has increased the attractiveness of commodities, the price of which is dollar-denominated.

Data from OPEC and the International Energy Agency with forecasts of an increase in global oil demand supported oil quotes. The expectations of experts on the oil demand growth are reflected in the quotes. Despite the ongoing limited oil supply, European countries are replacing them with more expensive natural gas.

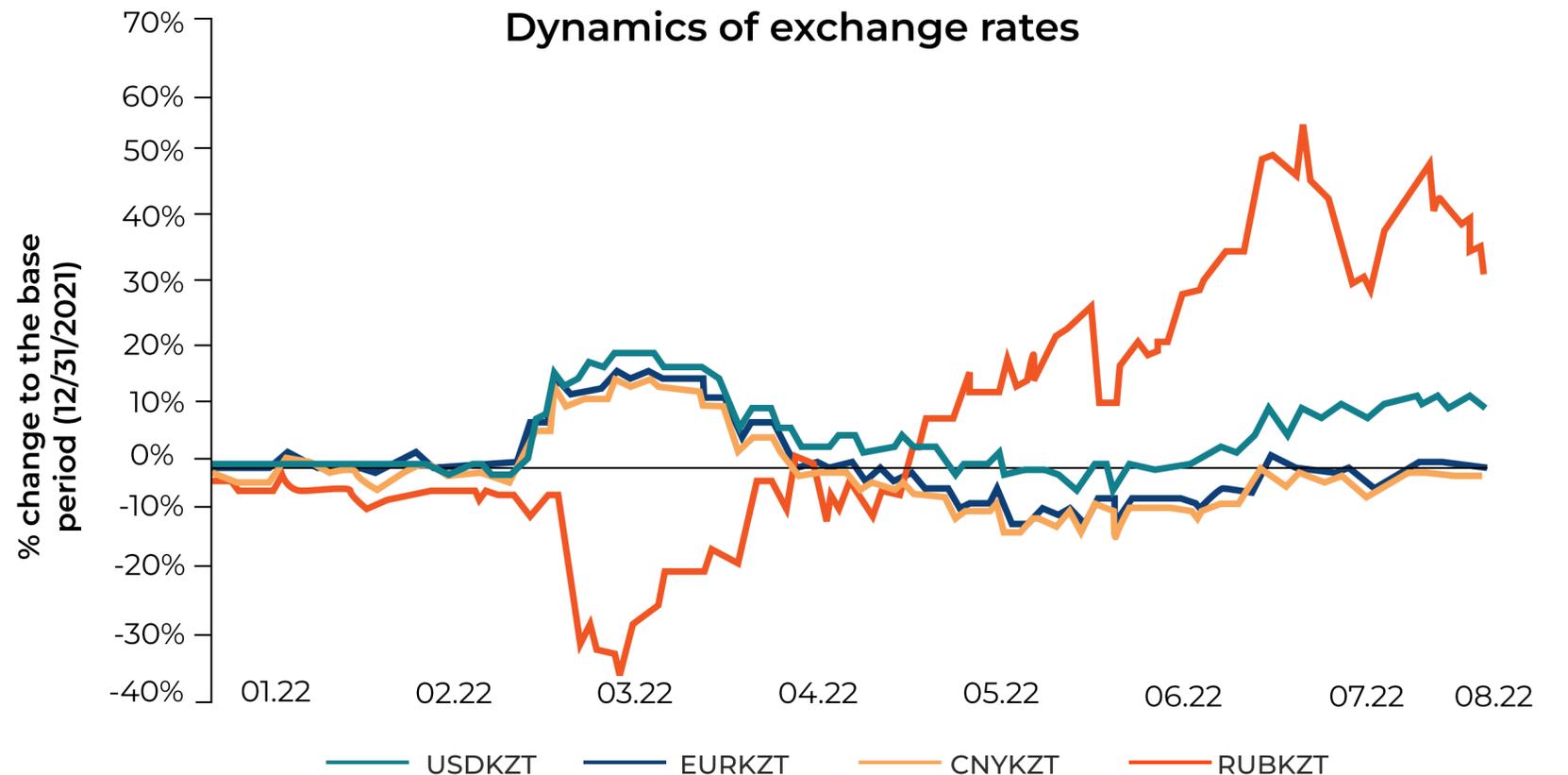
Further growth in oil prices is controlled by the news background about the resumption of cooperation on the Joint Comprehensive Plan of Action. If approved, Iranian oil will return to world markets.

Currency exchange rate volatility



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

Dynamics of exchange rates



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

The easing of concerns about falling global demand has had a positive impact on the prices of Kazakhstan's main export goods. During the week under review, their prices followed a growing trend. The aluminum and copper market is in a zone of increased turbulence due to the continuing risks of another outbreak of COVID-19 and possible quarantine restrictions in China, as the main consumer forming demand for these metals.

Jusan Analytics Opinion

In our opinion, there are no objective grounds for a significant correction of the tenge exchange rate in the foreseeable future. According to our expectations, the next tax week will not have a lasting strengthening effect on the national currency. The easing of concerns about a recession in the global economy and the emergence of prerequisites for easing the Fed's aggressive policy (a monthly slowdown in inflation and stabilization of inflation expectations) will have a restraining effect on the Dollar Index. Reducing concerns about the prospects for global demand in conditions of limited oil supply will help to maintain oil prices at the current levels favourable for the tenge exchange rate. All these factors will limit the downward pressure and reduce the volatility of the currencies of developing countries.

Low volumes of exchange trading in foreign currency with a simultaneous decrease in the volatility of exchange rates may indicate a temporary stabilization of currency expectations. The exchange rate of tenge against the dollar will continue to trade in the current range of 475-480 tenge when there are no unforeseen shocks.

Dynamics of the main export goods of Kazakhstan

	Closing price, USD	Change in a week, %	Change from the beginning of the year, %	Dynamics
crude oil	98.15	+3.40	+30.50	
wheat	822.50	+3.43	+6.71	
uranium	48,85	+0.00	+8,44	
iron stone	109,71	+0.47	-2,48	
zinc	322.15	+3.97	+12.92	
aluminum	2421.75	+1.04	-13.74	
copper	8091.50	+2.81	-16.76	

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)

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