

## Weekly Forex Review (August 31 – September 2, 2022)



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

Over the past week, the national currency has weakened against most traded currencies. **Tenge weakened against the dollar (by 0.93%), euro (by 1.37%) and yuan (by 0.43%).** At the same time, the **tenge strengthened by 0.63% against the ruble.** And since the beginning of the year, the tenge has weakened against the dollar by 9.42%, against the ruble by 36.11%, against the yuan by 0.60%, and against the euro strengthened by 3.36%.

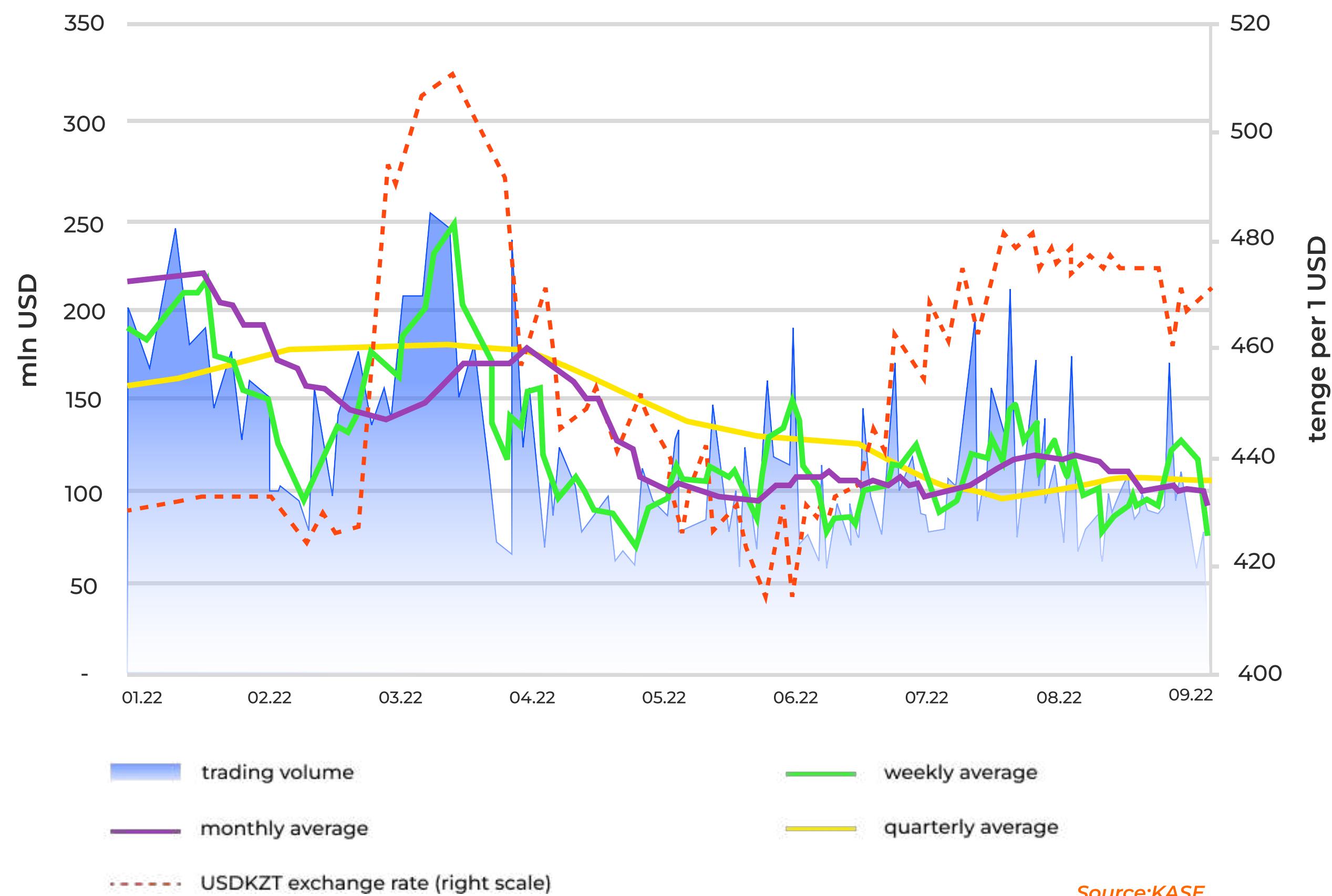
The weekly volatility of the tenge against the dollar and ruble was 0.1% each, which is 0.9 p.p. and 1.0 p.p. lower than last week. These values indicate an inert reaction of the exchange rate to incoming information within the previous week. This may signal both an increase in the inefficiency of the foreign exchange market and indicate a temporary consensus of market participants on a rate that satisfies everyone.

The week following the period of tax payments by exporters was characterised by a noticeable decrease in the volume of exchange trading. Thus, the USDKZT pair **trading volume** over the past week decreased by 75.6% compared to the previous one (a decrease of 69.5% compared to the average weekly trading volume in 2022) and amounted to \$ 175.70 million. We note that last week tenge was trading at rather low volumes. Such terms cannot indicate a truly equilibrium level of the current exchange rate.

Currency pair	Weekly dynamics	Maximum	Minimum	Weekly volatility
USDKZT	↙ ↘ ↗ ↗ ↗	472.47	471.43	0.1% ▼
RUBKZT	↙ ↘ ↗ ↗ ↗	7.84	7.82	0.1% ▼
EURKZT	↙ ↗ ↗ ↗ ↗	472.70	471.22	0.2% ▼
CNYKZT	↙ ↗ ↗ ↗ ↗	68.46	68.34	0.1% ▼

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

### USDKZT pair currency exchange trading



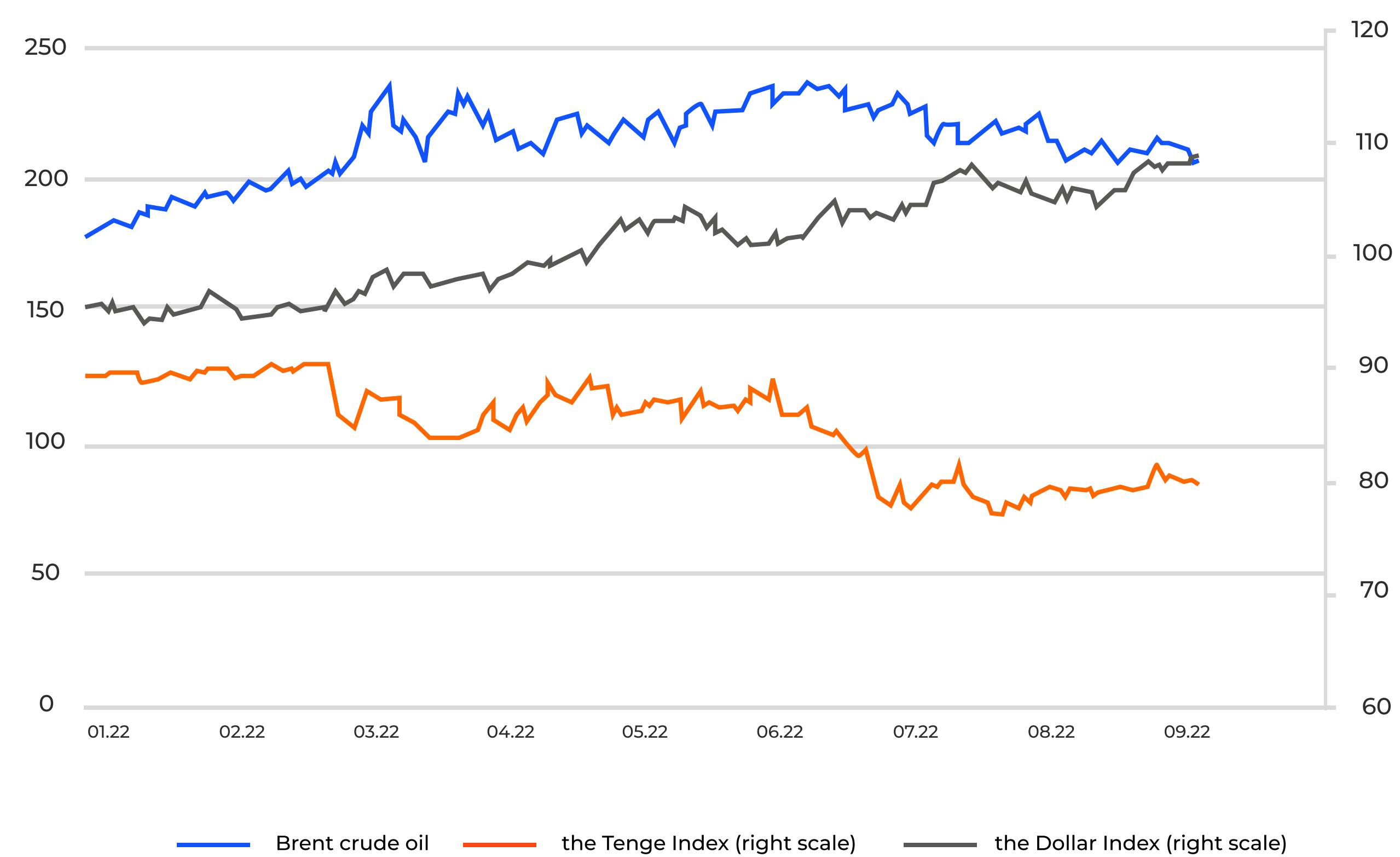
## The Tenge Index (August 31 - September 2)

During the week under review, the **Tenge Index decreased by 0.6% and amounted to 79.50 points**, and since the beginning of the year – by 12.4%.

The loss of positions previously won back during the big tax week, according to the Index took place with a decrease in the cost of oil to \$ 93.0 per barrel and the continuing trend of strengthening the positions of the US dollar.

Since the second half of August, following the Tenge Index, there was a gap reduction in the dynamics of oil quotes and the exchange rate of the national currency. This is due to the fall in oil prices from above \$ 100 per barrel level to the current \$ 93 with relatively stable fluctuations in the Tenge Index at 77-80 points level. At the same time, the Index continues to ignore the strengthening of the dollar.

### 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

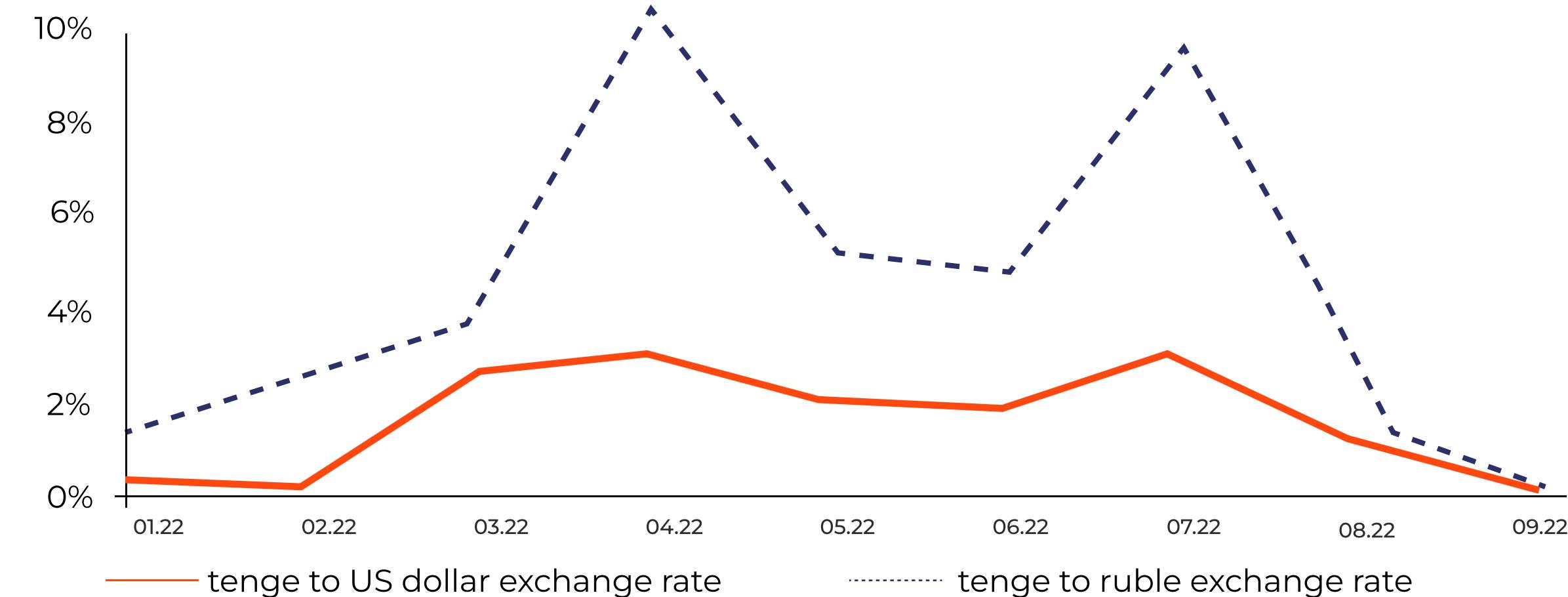
Last week, **oil quotes** fluctuated in the range of 92.4-96.49 dollars per barrel. The price of Brent crude oil was at \$ 93.02 per barrel by the end of the week, having decreased by 6.05% over the week.

Such a significant drop in oil prices was forced by increased concern about the prospects for global economic growth and a possible reduction in demand for goods, including oil. The source of the growing concerns was weak statistics on business activity in the industrial sector of China (fact – 55.0p. against the forecast – 55.5p.) and a new wave of lockdowns in Chengdu, the 6th largest city in China.

The situation within the framework of Iran Nuclear Program actions has not been clarified over the past week, but expectations for an early resolution of the issue continue to put pressure on the price of oil. The decline in quotations is limited by the expected OPEC+ meeting next week, where cartel members' actions in Nuclear Deal will be discussed.

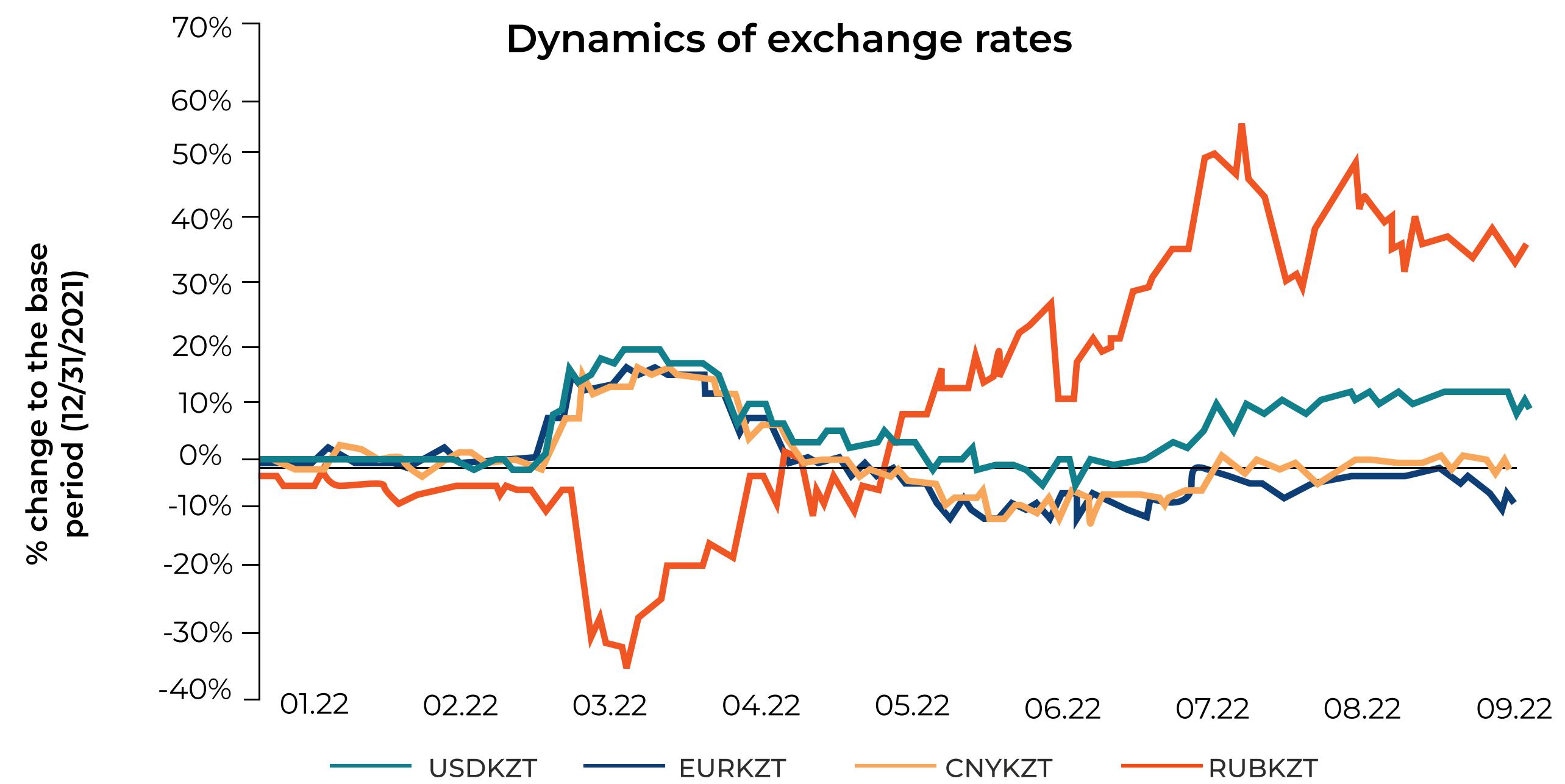
The Dollar Index for the week under review increased by 0.75% to 109.61 points. Demand for the dollar is growing amid expectations that the Fed will continue to aggressively tighten its monetary policy, taking into account the recent speech by the Head of the Fed on the paramount importance of ensuring price stability.

## 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

## External factor of exchange rate

Prices of most of the key export goods have significantly decreased over the past week.

The reason for such a synchronous peak was also the weak statistics on business activity in China and the corresponding pessimism of market sentiment. The announced lockdowns and other anti-covid measures caused a decrease in production in the major industrial centres of China and a corresponding reduction in demand for raw materials from their key importer.

Uranium prices continue to rise against the background of increased demand for it associated with the green agenda expansion and climate requirements to reduce carbon dioxide emissions, as well as relatively high prices for other types of energy sources.

## 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	93.0	-6.05	+23.68	
wheat	811.0	+0.71	+5.22	
uranium	52.6	+6.38	+16.65	
iron stone	95.6	-9.42	-15.07	
zinc	284.9	-10.68	-0.14	
aluminum	2276.5	-8.35	-18.91	
copper	7633.0	-6.46	-21.48	

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

## ***Jusan Analytics Opinion***

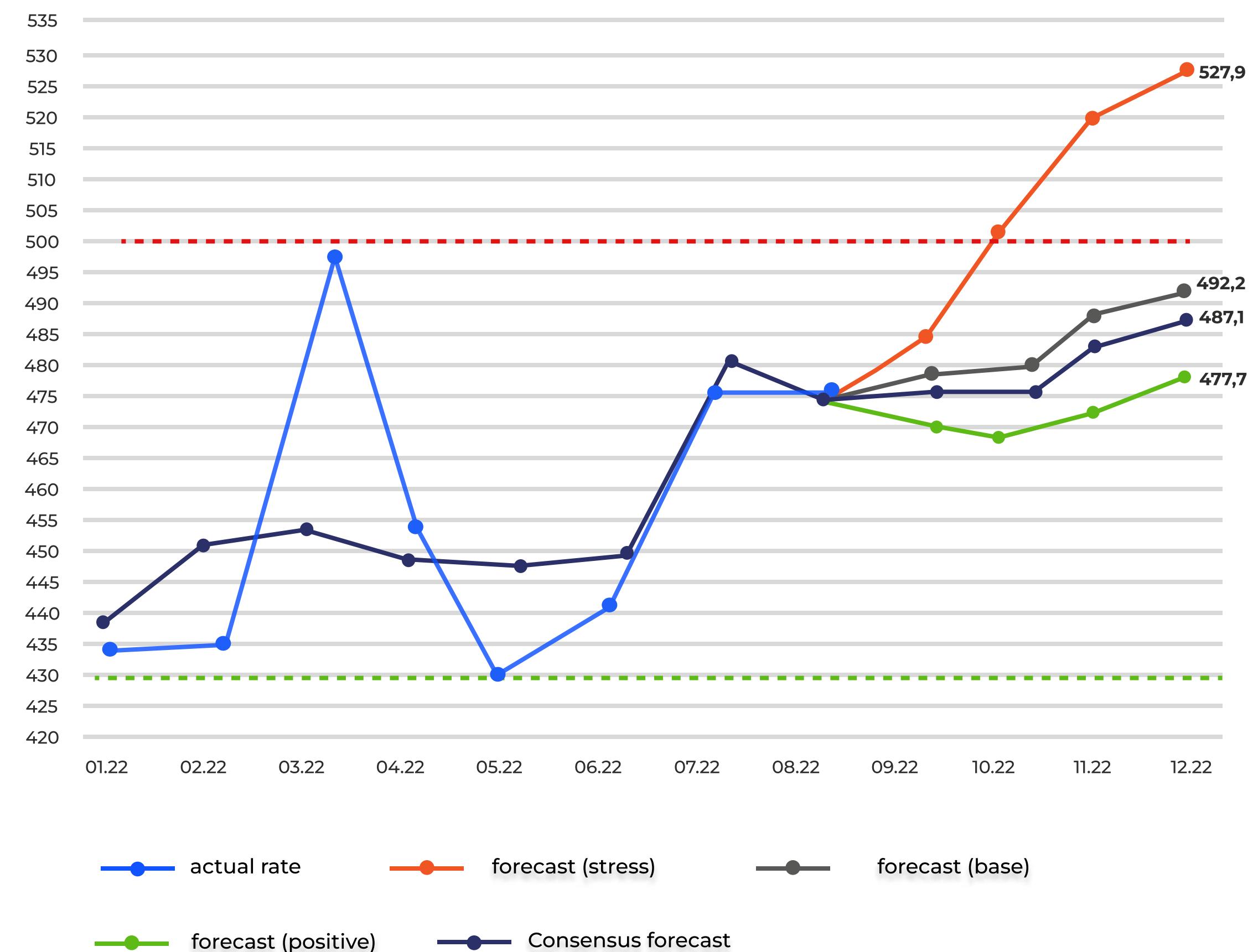
The exchange rate returned to the previous levels of 470-472 tenge per dollar. This suggests that the observed strengthening during the big tax week did not meet the expectations of investors and market participants, but was due to temporarily increased demand.

The released by the end of August data on the significant acceleration of annual inflation to 16.1% (+1.4% MoM) and the measures announced during the Message by the President of the Republic of Kazakhstan to the Government and the National Bank, most likely, caused the wait-and-see position by participants of the foreign exchange market.

The further trend of exchange rate formation will depend on the response measures of the authorized bodies and the balance of fundamental internal and external factors.

We have carried out a significant revision of our forecasts due to the release of inflation data, which turned out to be significantly higher than our forecasts, as well as the adjustment of the tightening monetary trajectory.

### **Simulated dynamics of the exchange rate**



## Upcoming tax payment periods in August-December, 2022

### 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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