

Weekly Forex Review (September 12-16, 2022)



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

The national currency has demonstrated multidirectional dynamics: weakening against the **dollar (-0.80%)** and the **ruble (-1.40%)**, but strengthening against the **euro (+0.40%)** and the **yuan (+0.53%)** over the previous week. Since the beginning of the year, the tenge has weakened against the dollar by 10.50%, the ruble - 38.02%, the yuan - 2.79%, but showed a slight strengthening against the euro (+0.04%).

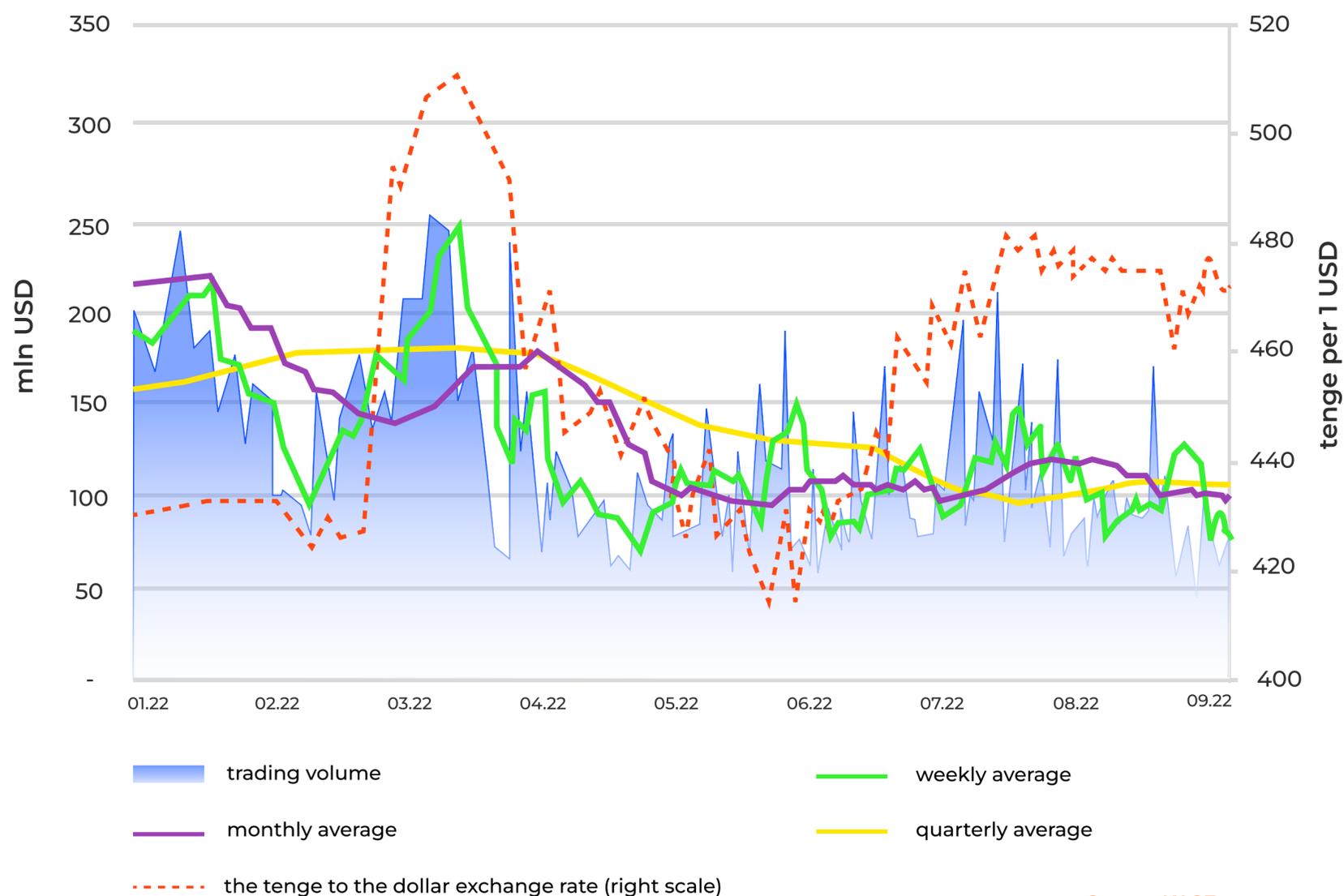
The weekly volatility of the tenge exchange rate against foreign currencies decreased slightly: against the dollar to 0.39% and against the ruble to 0.78%. The weakening of the national currency was at a low volume of trading on the stock exchange.

The USDKZT pair **trading volume** over the past week decreased by 7.58% compared to the previous one (a decrease of 34.0% compared to the average weekly trading volume in 2022) and amounted to \$ 372.95 million.

Currency pair	Weekly dynamics	Maximum	Minimum	Weekly volatility
USDKZT		477.12	471.99	0.4% ▼
RUBKZT		7.96	7.81	0.8% ▼
EURKZT		481.21	473.81	0.7% ▼
CNYKZT		68.3	67.95	0.2% ▼

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

USDKZT pair currency exchange trading



Source:KASE

The Tenge Index

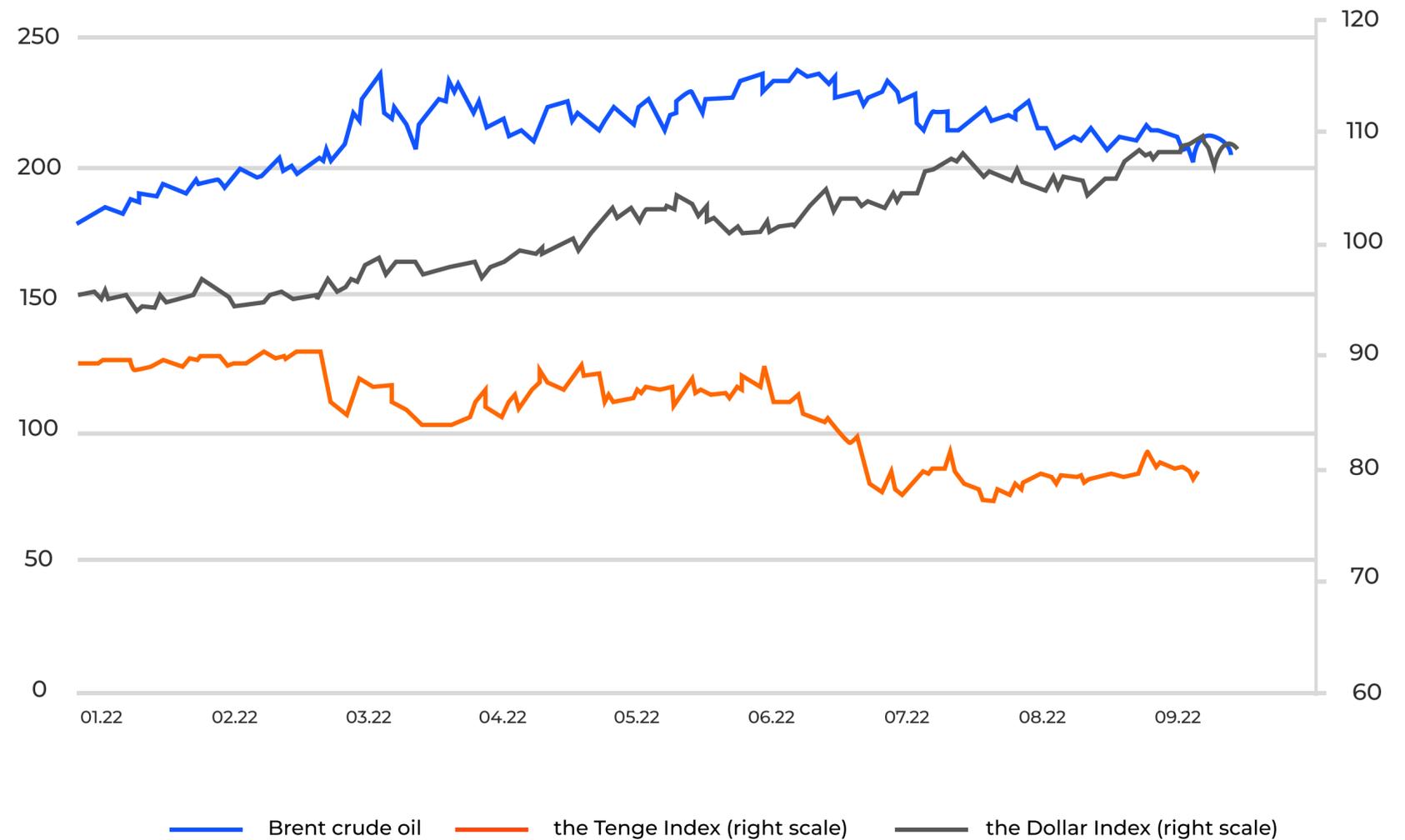
The Tenge Index decreased by 0.8% over the week, by 13.3% since the beginning of the year and **amounted to 79.32 points**.

The decline in the Index is due to double pressure: surging dollar and declining oil prices.

The current Index level corresponds to its value at the beginning of August 2022, when oil quotes were \$ 4 higher, and the Dollar Index was equal to 106.6 points. One of the obvious reasons for the current imbalance is the euro, which weakened from 485 to 475 tenge. At the same time, the main reason is the continued low efficiency of the domestic foreign exchange market, when the tenge exchange rate is significantly influenced more by internal factors (currency expectations, the ratio of supply and demand in the foreign exchange market, etc.) than external ones.

Over the past 2 weeks, there has been an increase in the sensitivity of the tenge exchange rate to changes in external market conditions, than was observed in the summer season.

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

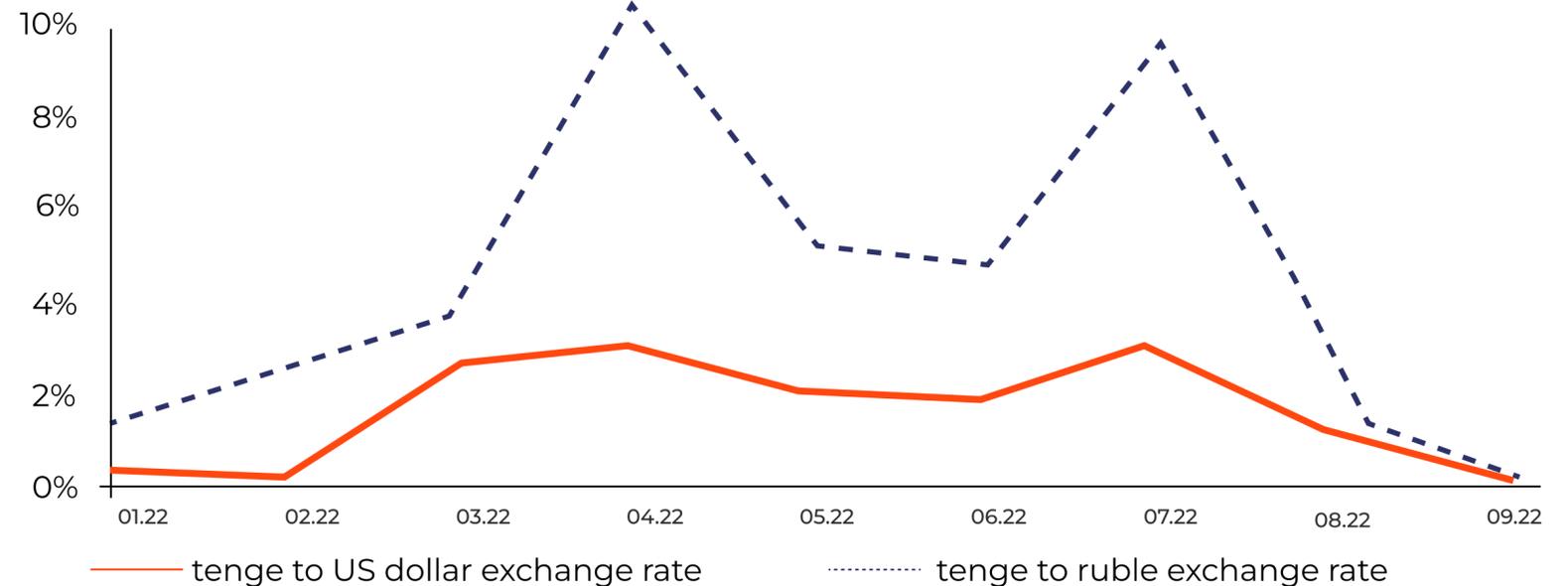
The impact of the situation on foreign markets over the past week can be described as completely unfavourable for the national currency.

Oil quotes fluctuated in the range of 90.84-94.10 dollars per barrel. By the end of the week, the price of Brent crude oil was at the level of 91.35 dollars. This was caused by the strengthening of deflationary sentiment due to released last week poor data on inflation and economic activity in the United States. In addition, negativity is gaining strength among market participants in assessing the consequences of anti-COVID measures and the prospects for aggregate demand from China.

The G7 countries offer to set a limit on oil prices from Russia. However, this offer will not have the desired effect, since the largest consumers of Russian oil are India and China (not members of the G7), and they do not submit it. Russia has also stated that it would not supply oil to those countries that join this initiative. The likelihood of a shortage of oil in the markets of individual countries constrains the decline in oil prices below \$ 90 per barrel.

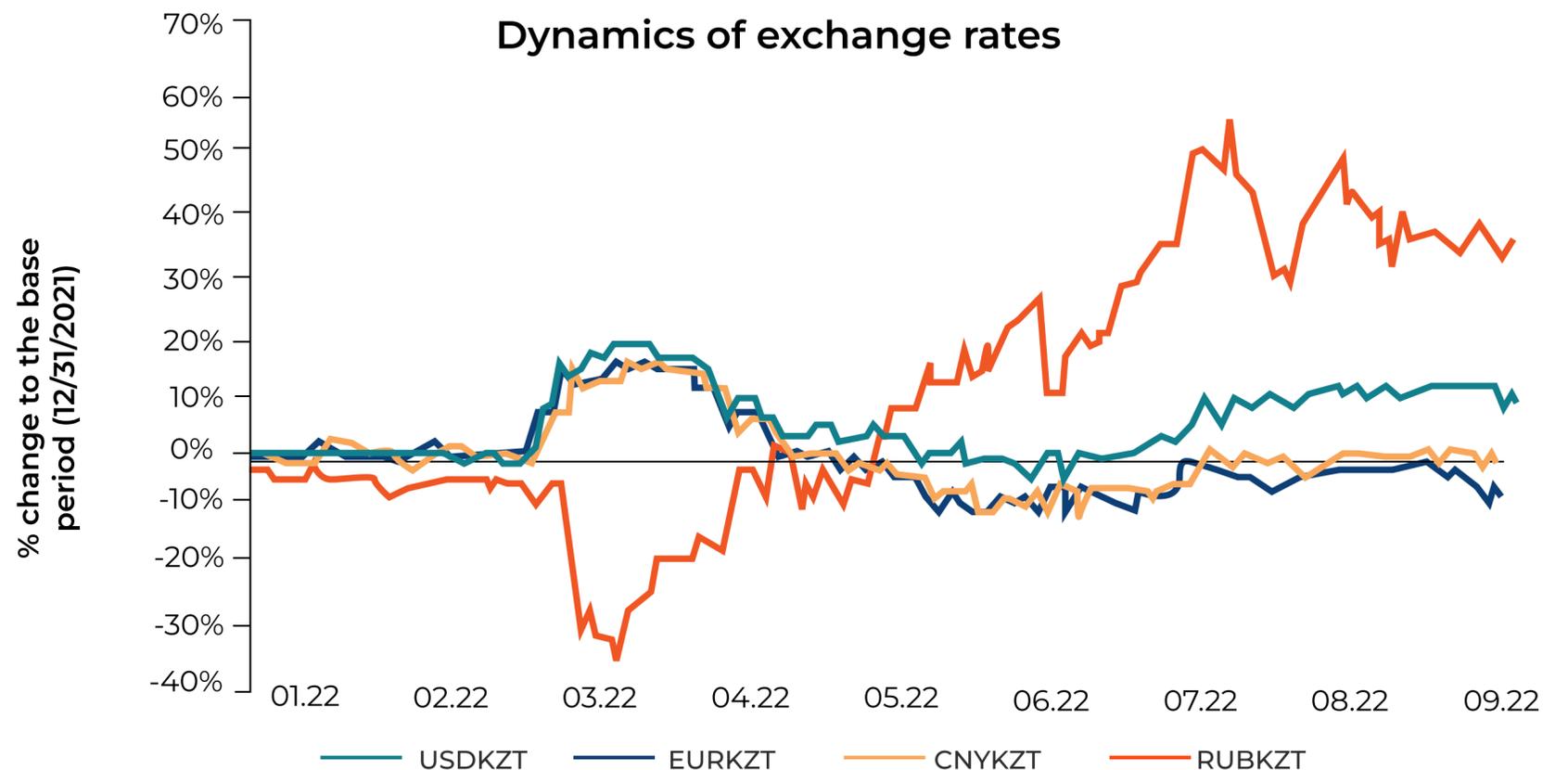
The **Dollar Index** for the week under review is at multi-year highs, and the market is expecting the continuation of an aggressive interest rate increase by at least 75 - 100 b.p.

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

The prices of most of the main export goods showed a decline. And the reason for this was the dollar strengthening in global markets. The reduction in prices of non-ferrous metals was further affected by negative forecasts on the prospects for the development of the Chinese economy.

Last week, uranium prices have significantly decreased, previously they showed fairly strong growth dynamics. The demand for uranium in world markets has increased significantly against the background of the global trend of forced transition to less carbon-intensive energy sources. At the same time, most of the uranium market is traded exclusively on long-term contracts, that is, outside the spot market. The drop in quotations occurred against the background of an excess of this metal in the speculative market (this is a part of uranium, mainly associated with over-fulfilment of production plans, which is not contracted and traded on the spot market < 10%), therefore does not reflect the price situation in this market.

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	91.4	-1.60	+17.45	
wheat	874.8	+0.60	+13.49	
uranium	48.9	-7.30	+8.55	
iron stone	99.3	-0.95	-11.77	
zinc	281.5	-1.44	-1.33	
aluminum	2264.3	-0.51	-19.35	
copper	7762.0	-1.20	-20.15	

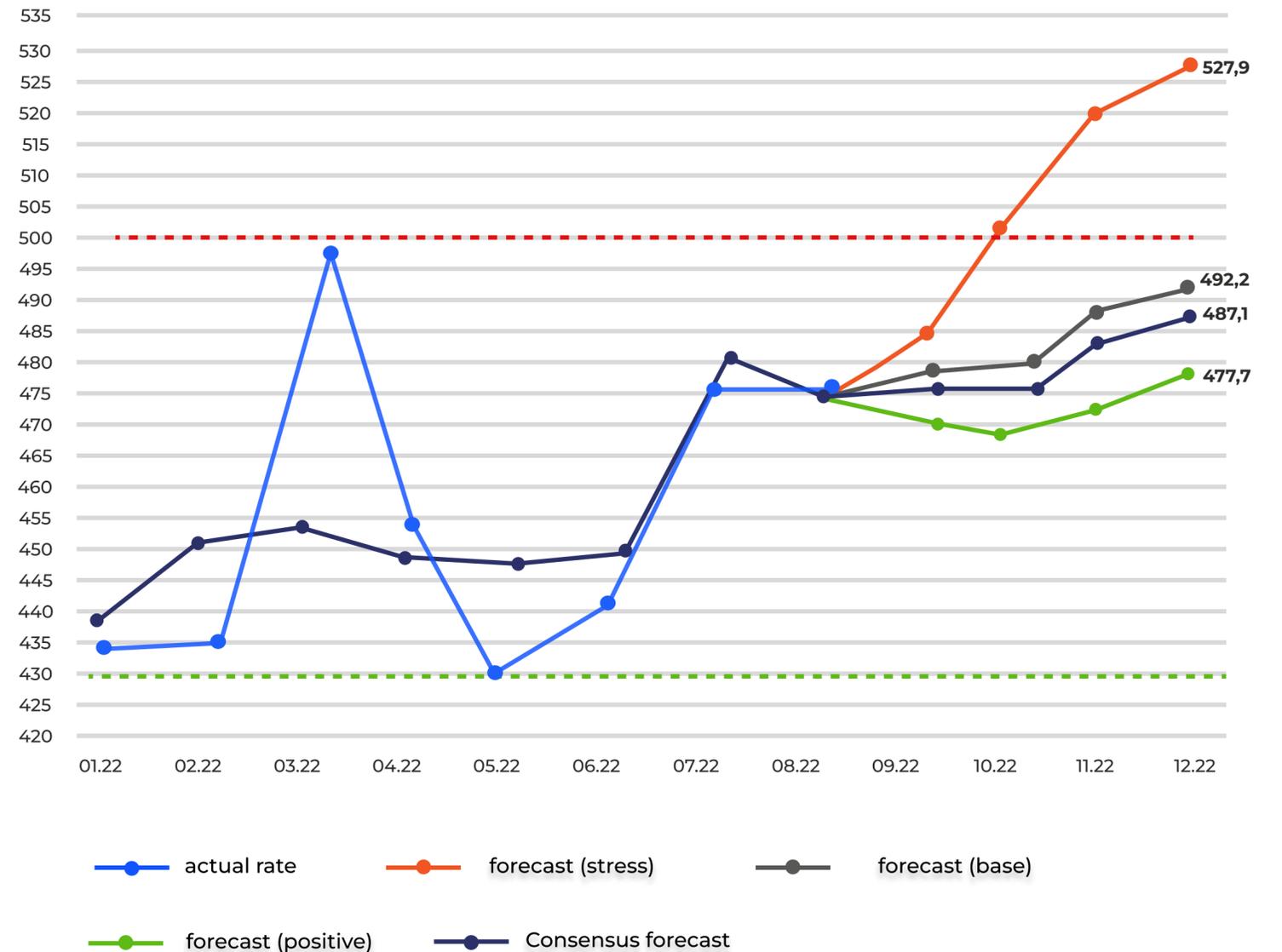
Source: [Investing.com](https://www.investing.com), finance.yahoo.com

Jusan Analytics Opinion

The exchange rate has weakened from **473** to **477 tenge** per dollar over the past week. This is due to an increase in the exchange rate sensitivity to external conditions compared to the summer period. Low trading volumes of the USD KZT pair and volatility signal the observed uncertainties in currency expectations and the wait-and-see position of market participants in response to the high value of the Dollar Index. Taking into account the current data on the slower-than-expected rate of inflation slowdown, the Fed is likely to raise the rate more decisively at the upcoming meeting, and thereby contribute to increased pressure on the currencies of developing countries and capital outflow.

However, the recent Statement by the Minister of Energy on the restoration of the Kashagan operation only by October of this year causes additional pressure from internal factors. And in our opinion, as a result, there are no strong grounds for a reversal of the weakening the national currency trend until the end of the year.

Simulated dynamics of the exchange rate



A forecast error

	01.22	02.22	03.22	04.22	05.22	06.22	07.22	08.22	09.22
Actual rate	0,5%	3,8%	-9,0%	-1,0%	3,9%	1,5%	0,7%	-0,3%	0,2%

Upcoming tax payment periods in September-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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