

# Weekly For€X Review

03/06/2023-03/10/2023





Last week, **tenge** was adjusted to 446 tenge per dollar. In general, the main factors of the weakening were foreign economic factors.

The **Dollar** Index rose by 105.7 points. The factor for the growth was the statement of the Head of the Fed about the possible acceleration of the key rate increase. However, the Index fell to the level of 104.58 due to the employment statistics in the US.

Hawkish statements by the Head of the Fed lowered the price of **oil**. Thus, the price of oil decreased from \$ 86.18 to \$ 81.59 per barrel and was at \$ 82.78 due to a decline in the Dollar Index at the end of the week. On Monday, OPEC published an Oil Market Monthly Review: there has been a surplus of oil since the beginning of the year (0.04 million barrels per day in January and 0.15 million barrels per day in February), which also put pressure on its value. An additional factor in the decline was data on oil imports from China. In January-February, **gas** imports decreased by 9.4% YoY, and oil imports by 1.3% YoY. Most market participants are still optimistic that China will increase import volumes amid the lifting of quarantine restrictions.

The dollar strengthening also significantly affected the dynamics of the **ruble** exchange rate. The Russian currency fell by 0.6% despite the support from the Ministry of Finance of the Russian Federation.

This week, the Central Bank of the Russian Federation is expected to raise the key rate, which will rather have a short-term effect and strengthen the ruble exchange rate.

On Friday, the 16th largest by assets US bank, **Silicon Valley Bank**, went bankrupt. This is because both increased inflation and high rates can have a domino effect and add fears of a recession. We expect an increase in the value of the dollar and borrowing rates in the monetary market, which will give the effect of adjusting the tenge exchange rate closer to our forecast level.

March is usually considered the peak month of investment activity of companies. Companies update fixed assets and are mainly carried out in foreign currency. Given that last year, we observed reduced investment activity due to geopolitical tensions, and we will probably see record volumes of investments in fixed assets this year. This trend will affect the national currency exchange rate.

## Summary of fundamental factors

factor name	quotes as of 03/10/2023	% Δ		impact on tenge*	factor name	value as of 03/10/2023	revision date	revision direction	
		week	month						
Brent price	82.8	-3.6%	-4.2%	▲	Real rate of the CB**	NBK	4.75%	02/24/2022	▲
The Dollar Index	104.6	0.0%	0.9%	▲		Fed	1.65%	02/01/2023	▲
USDRUB	76.1	0.6%	3.0%	▲		ECB	-3.30%	02/02/2023	▲
CDS spread (USD/KZT)	10.6	+0.3 p.p.	-0.05 p.p.	▲		RF CB	0.50%	02/10/2023	▼

\*An assessment of the impact of the change on the tenge dynamics: ▲ weakening, ▼ strengthening

\*\* difference between the nominal interest rate and the inflation rate in 12 months (monetary regulator forecasts)

## The exchange rate of tenge to foreign currencies

currency pair	exchange rate as of 03/10/2023	% Δ			min for 12 months	max for 12 months
		week	month	since the beginning of the year		
<b>USD KZT</b>	446.0	3.5%	-1.1%	-3.6%	414.67	512.19
<b>EUR KZT</b>	471.9	3.2%	-2.2%	-4.3%	443.06	563.56
<b>RUB KZT</b>	5.9	2.6%	-5.2%	-8.7%	4.42	9.1
<b>CNY KZT</b>	64.1	2.6%	-3.3%	-4.0%	62.21	80.71



## Jusan Analytics Indexes and calculations

Index name	value as of 03/10/2023	% Δ			dynamics (over the last 12 months)
		week	month	since the beginning of the year	
<a href="#">the TENGE Index</a>	88.7	-3.1%	2.3%	6.1%	
Tenge volatility*	1.0%	0.8%	1.5%	5.3%	
<a href="#">Export Price Index</a>	146.7	-4.62%	-4.1%	-6.6%	

\* change columns are used to indicate the average value for the volatility row for the corresponding period (the last 12 months). The column from the beginning of the year shows the average annual volatility over the past 12 months.

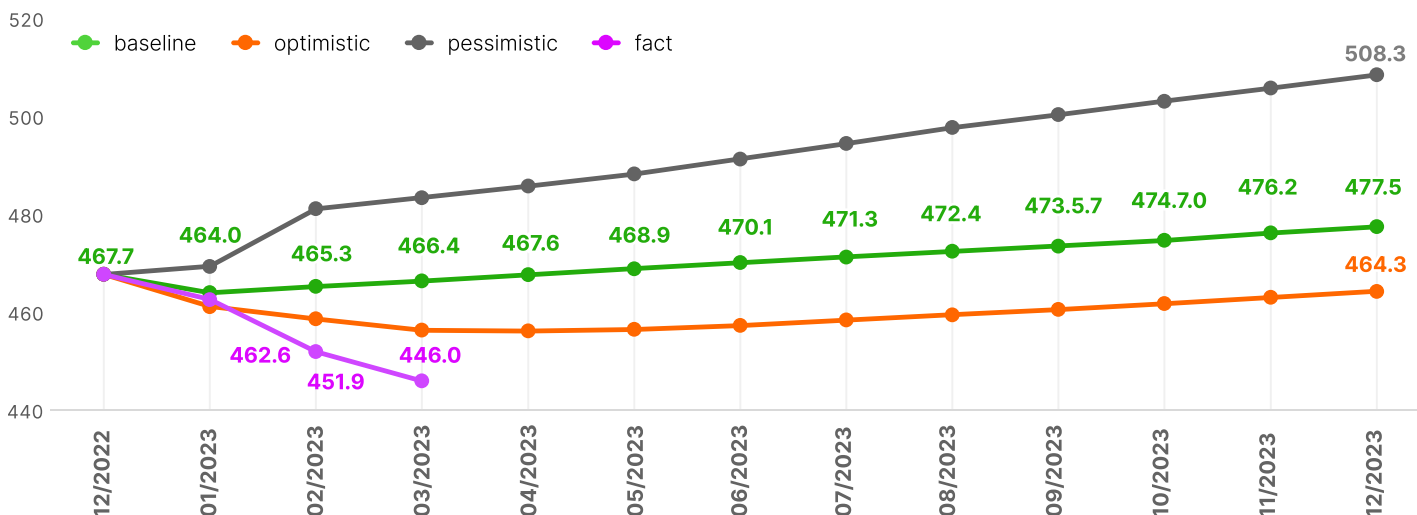
## Jusan Analytics forecast

forecast date	currency pair	forecast period			fact-forecast correlation*	comment
		week	month	end of the year		
03/03/2023	USDKZT	431.1	466.4	477.5	×	Strengthening of the exchange rate due to the sale of foreign exchange earnings and transfers from the National Fund
03/10/2023		446.0			×	Exchange rate correction later on the influence of internal factors
					×	
					×	

\* ✓ matches, × does not match

## The forecast of the tenge to dollar exchange rate according to Jusan Analytics calculations

We have revised our forecast for the exchange rate in favour of the tenge strengthening, primarily due to the adjustment of inflation expectations embedded in our models. Thus, according to the updated data of the NBK, the estimate of expected inflation decreased from 21.3% to 17.3%, and the pace of expectation change for future periods for all scenarios was revised too. Seeing a more stable oil market and demand for it, we revised our pessimistic scenario for oil also. At the same time, we do not change our forecasts for the base rate in all scenarios since following the rhetoric of the NBK, the regulator intends to keep the base rate at a high level for a long time.



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