

# Weekly For€x Review

October 02-06, 2023





The dynamics of the tenge exchange rate against the US dollar showed multidirectional fluctuations last week. The **tenge exchange rate** weakened by 0.8% to the level of 478.4 tenge per dollar at the end of the week. The national currency shows a relatively greater sensitivity to changes in internal factors than external ones. Thus, the tenge practically did not react to the decline in the global oil price, but at the same time, it was expected to weaken by the end of the week due to the decision to lower the base rate. A more significant weakening of the tenge's position did not occur since market participants had already put their expectations into the tenge exchange rate. So the tenge has weakened by 4.1% against the US dollar since the end of August.

The new NBK forward guidance, which provides for further easing of monetary conditions only if inflation reaches a single-digit value, reducing the base rate by the end of this year is very unlikely. This at least in the short term, allows us to control devaluation expectations and limit the deterioration of the tenge attractiveness and the growth of exchange rate volatility.

Foreign economic factors were negative during the week. The **Dollar Index** is holding above 106 points. At the same time, on Tuesday, the Index broke through the 107-point mark. According to the US Department of Labor, the number of open vacancies has increased by 700 thousand, of which 600 thousand are in the private sector. The US labour market overheating may affect the further preservation of the hawkish policy of the US Federal Reserve. Expectations for the period of high interest rates increased the yields of 10 and 30-year US Treasury bonds, which reached the highest in the last 16 years this

week. However, the Dollar Index fell to 106 points on the slowing data on new jobs for September (170 thousand against 187 thousand in August) by the end of the week.

The **oil price** fell to \$84 per barrel last week (-8.3% for the week). If before the reduction in supply from Saudi Arabia and Russia stimulated the growth of oil prices, then last week concerns about a reduction in consumption came true. First of all, the signal was an increase in gasoline stocks in the United States. Gasoline stocks for the week increased by 1.027 million barrels, amounting to 6.5 million barrels, and the supply of finished gasoline fell to the lowest level since the beginning of the year (8 million barrels per day). However, the price of oil is starting to rise due escalation of the conflict in the Middle East.

The **ruble** continues to weaken and has broken the psychological mark - 100 rubles per dollar. The depressing dynamics of the Russian currency occur amid rising prices for Russian oil. The main factor in the further weakening of the ruble is a reduction in exports with an increase in imports. Previously, the effect of the negative trade balance was restrained by tax revenues during the tax week. A small support for the ruble may be provided by the government's decision to lift the ban on the export of diesel fuel through pipelines in ports.

In total, the tenge exchange rate remains dependent on the expectations of participants in the domestic foreign exchange market. **According to our forecasts**, tenge will move in the range of 473-479 tenge per dollar by the end of the month.

## Summary of fundamental factors

factor name	quotes as of 10/06/2023	% Δ		impact on tenge*	factor name	value as of 10/06/2023	revision date	revision direction	
		week	month						
Brent price	84.6	-8.3%	-6.6%	▲	Real rate of the CB**	NBK	4.50%	08/25/2022	▲
The Dollar Index	106.0	-0.2%	1.1%	▼		Fed	2.20%	09/20/2023	▲
USDRUB	100.4	2.5%	2.3%	▼		ECB	-1.10%	09/14/2023	▲
CDS spread (USD/KZT)	680.8	-20.8 p.p.	-49.6 p.p.	▼		RF CB	6.00%	09/15/2023	▲

\*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 10/06/2023	% Δ			min for 12 months	max for 12 months
		week	month	since the beginning of the year		
USD KZT	478.4	0.8%	3.7%	3.4%	431.08	482.77
EUR KZT	504.8	0.3%	2.0%	2.4%	452.1	509.71
RUB KZT	4.8	-2.3%	1.1%	-25.8%	4.42	7.8
CNY KZT	65.5	0.8%	4.0%	-1.8%	61.26	68.83



## Jusan Analytics Indexes and calculations

Index name	value as of 10/06/2023	% Δ			dynamics (over the last 12 months)
		week	month	since the beginning of the year	
<u>the TENGE Index</u>	88.7	1.9%	-2.1%	6.0%	
Tenge volatility*	0.2%	0.5%	1.0%	2.5%	
<u>Export Price Index</u>	152.9	-5.95%	-3.1%	-2.7%	

\* 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.

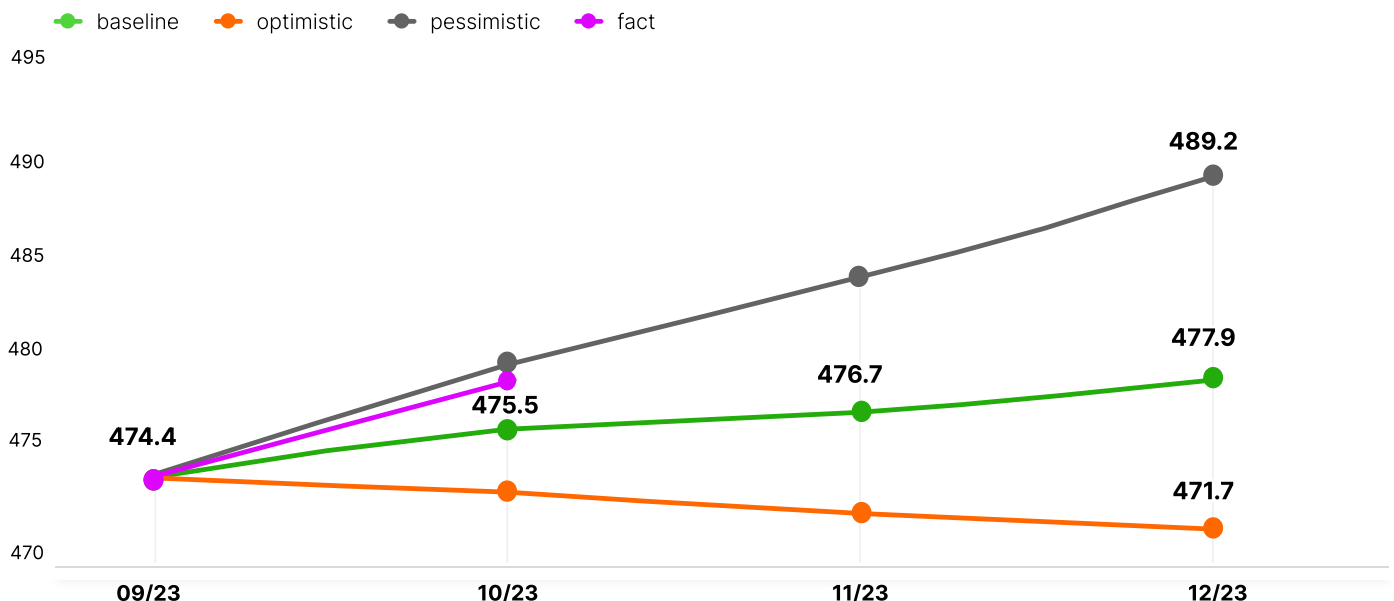
## Jusan Analytics outlook

forecast date	currency pair	outlook period			fact-outlook correlation*	comment	
		week	month	end of the year			
09/29/2023	USDKZT	474.5	475.5	477.9	✓		
10/06/2023		478.4			✓		

\* ✓ matches, × does not match

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

Considering the end of the 3rd quarter and the beginning of the next Jusan Analytics team forecast round, we have updated our outlooks for the tenge exchange rate. We expect greater volatility and the tenge exchange rate in the range of 472-489 tenge per dollar by the end of the year (weakening by 1.9% - 5.7% since the beginning of the year and +0.6% and -3.6% compared to the end of September).



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