

Weekly For€x Review

October 09-13, 2023





According to the results of the past week, the **exchange rate of tenge against the US dollar** increased slightly (0.3%) and amounted to 477 tenge per dollar. Tenge strengthening was observed against most foreign currencies, except for the Russian ruble. The weakening of the tenge against it from 4.77 to 4.91 tenge per ruble (2.9%) occurred amid gaining support for the Russian currency in a decision on the mandatory sale of part of the foreign exchange earnings. In general, the internal factors of exchange rate formation remain unchanged, while the external economic balance of factors has acquired a more negative tone.

Thus, the **Dollar Index** for the week strengthened by 0.6 points and formed at the level of 106.7 points at the end of the week. The strengthening of the dollar occurred due to the current worse than expected statistics on inflation in the United States. According to the data, the consumer price index for the month increased by 0.4% in September and in annualized terms amounted to 3.7% (with a forecast of 3.6%). Household inflation expectations are also deteriorating, which reached a five-month high. Such dynamics of inflation creates space for further Fed rate hikes.

The **oil price** fluctuated rhythmically in different directions during the week, but closed at \$ 90.9 per barrel (a weekly increase of 7.5%). Such an increase in volatility is explained by the reaction of oil traders to the escalation of the conflict in the Middle East. At the beginning of the week, Saudi Arabia announced the full supply of oil to customers from North Asia, which indicated the absence of any interruptions in oil supplies. However, as the tension of the

the conflict increased and the likelihood of Iran's involvement in the conflict increased, oil prices began to rise and exceeded the \$90 per barrel mark. In the event of Iran's entry into the conflict, the United States may tighten sanctions on the Iranian oil export. Previously, to compensate for the reduction in production, the United States turned a blind eye to an increase in Iranian oil supplies.

The **ruble exchange rate** over the past week against the dollar increased by 3.1%, amounting to 97.2 rubles per dollar. The strengthening of the ruble after a long period of weakening is explained by the Government's measures to stabilize the exchange rate of the Russian currency. The main measure is the mandatory sale of at least 80% of foreign exchange earnings by 43 exporting companies. This measure will increase the volume of foreign currency supply on the market. Additional support is provided by the harsh rhetoric of the Central Bank of the Russian Federation, which assumes a long period of maintaining a high level of the key rate until a significant slowdown in the pace of price growth manifests itself.

The tenge exchange rate continues to develop in the range of our forecast and indicates a smoothed reaction of economic agents to foreign economic changes. This is due to the stabilization of currency expectations of participants in domestic currency trading due to a new signal from the NBK suggesting a high probability of maintaining the base rate at the current level until the end of 2023. **Our forecasts** for the current month suggest fluctuations in the exchange rate of tenge against the US dollar in the range of 473-479 tenge per dollar.

Summary of fundamental factors

factor name	quotes as of 10/13/2023	% Δ		impact on tenge*	factor name	value as of 10/13/2023	revision date	revision direction	
		week	month						
Brent price	90.9	7.5%	-1.1%	▼	Real rate of the CB**	NBK	4.00%	10/06/2022	▲
The Dollar Index	106.7	0.6%	1.8%	▲		Fed	2.20%	09/20/2023	▲
USDRUB	97.2	-3.1%	1.1%	▲		ECB	-1.10%	09/14/2023	▲
CDS spread (USD/KZT)	778.0	+97.2 p.p.	+42.9 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 10/13/2023	% Δ			min for 12 months	max for 12 months
		week	month	since the beginning of the year		
USD KZT	477.0	-0.3%	2.8%	3.1%	431.08	482.77
EUR KZT	502.2	-0.5%	0.9%	1.9%	452.1	509.71
RUB KZT	4.9	2.9%	1.4%	-23.6%	4.42	7.8
CNY KZT	65.3	-0.4%	3.3%	-2.2%	61.26	68.83



Jusan Analytics Indexes and calculations

Index name	value as of 10/13/2023	% Δ			dynamics (over the last 12 months)
		week	month	since the beginning of the year	
the TENGE Index	88.3	-0.7%	-2.2%	5.5%	
Tenge volatility*	0.1%	0.5%	1.0%	2.5%	
Export Price Index	161.0	5.29%	5.3%	2.4%	

* 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.

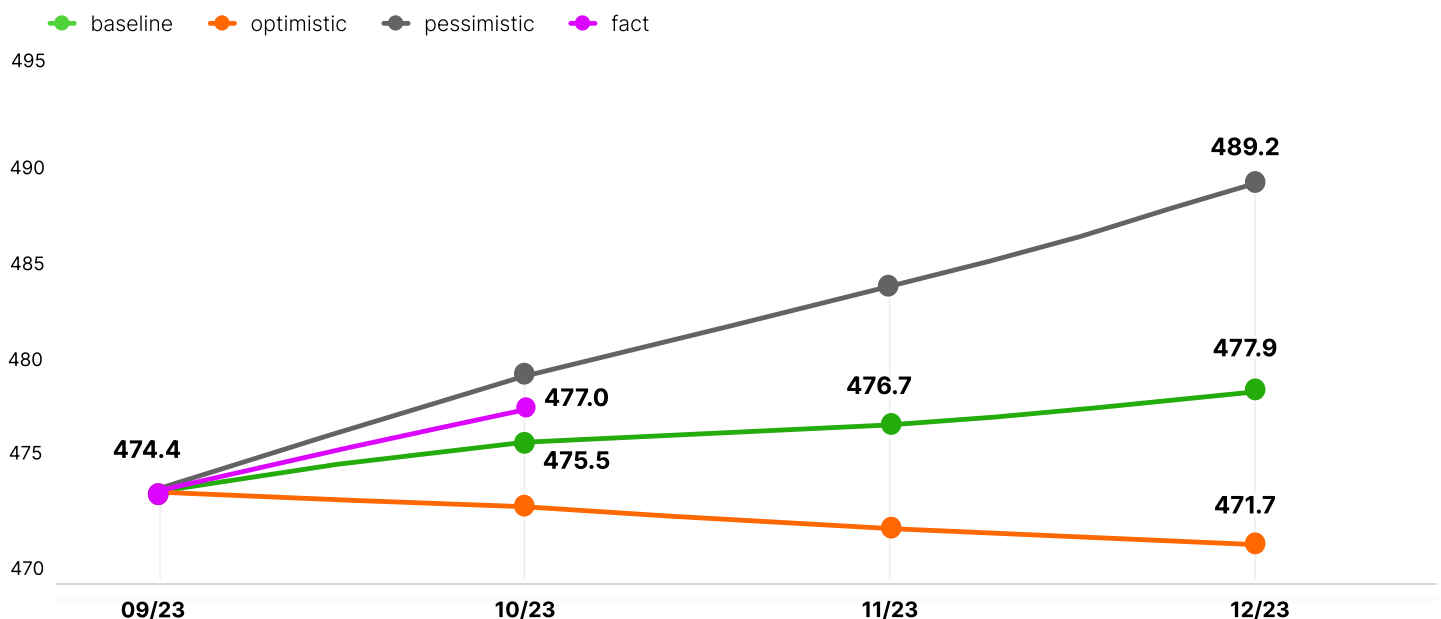
Jusan Analytics outlook

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			✓	
10/13/2023		477.0			✓	

* ✓ 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).



Auhors: Sunggat Rysbek

Disclaimer:

Jusan Analytics is an analytical structural division of "Jusan Bank" JSC.

This work is for informational purposes only and is not an offer or attempt to provide report, business, financial, investment, legal, tax or other professional advice or services by Jusan Analytics. The publication is based on information that we consider reliable and obtained from dependable open sources, but we do not confirm that all the information provided is absolutely accurate.

We are not responsible for the readers' use of the information that is contained in the work to make his independent financial decisions. "Jusan Bank" JSC represented by the Jusan Analytics team does not undertake to regularly update the information contained in the publication or correct possible inaccuracies. At the same time, the information in the work is not exhaustive and may be changed at any time without prior notice.

The information published in the work is available for personal use, but is not intended for commercial distribution and cannot be reproduced, transmitted or published, in its entirety or in sections, without the prior written permission of Jusan Analytics.

**For issues on the use of the material,
contact Jusan Analytics:**

6th floor, block B, building 36, Al-Farabi avenue,
A25D5F7, Almaty city, the Republic of Kazakhstan.
analytics@jusan.kz