

Weekly For€X Review

02/27/2023-03/03/2023





The end of February and the beginning of March were marked for the **tenge** strengthening mainly due to internal factors. Exporters sold \$ 295 million of revenue, and transfers to the budget from the National Fund amounted to about \$ 590 million last week. At the same time, the external background was also favourable for the national currency.

The **Dollar** Index decreased by 0.6 percentage points and closed at 104.53 points for the week. The Index rose to 105.03 points during the week due to the statements by the President of the Federal Reserve Bank of Atlanta, Rafael Bostic. Moreover, the representative of the Federal Reserve Bank stated the need to raise the base rate and keep it at the level of 5-5.25% until the end of the year.

The **oil** price also had a positive effect on the tenge exchange rate. The price of oil rose to \$ 85.8 per barrel for the week. The main factor was the recovery of demand for energy resources from China after the abolition of coronavirus restrictions. At the same time, the oil price fell sharply this week after Bloomberg's statements about the possible withdrawal of the UAE from OPEC. However, prices resumed their growth after the rumours were denied.

The **ruble** exchange rate continues to weaken amid a reduction in Russian oil exports. Sanctions from the G7 countries affected the reduction of sea exports by 25%.

We expect further strengthening of the tenge by the plans to sell the currency in the amount of 750-850 million dollars for transfers from the National Fund. However, the Unified Accumulative Pension Fund is going to buy a currency in the amount of \$ 200-250 million in March to maintain the currency share, which is more likely to affect the support of the currency.

Summary of fundamental factors

factor name	quotes as of 03/03/2023	% Δ		impact on tenge*	factor name	value as of 03/03/2023	revision date	revision direction	
		week	month						
Brent price	85.8	3.2%	-3.4%	▼	Real rate of the CB**	NBK	4.75%	02/24/2023	▲
The Dollar Index	104.5	-0.6%	1.4%	▼		Fed	1.65%	01/02/2023	▲
USDRUB	75.6	0.0%	7.4%	▲		ECB	-3.30%	02/02/2023	▲
CDS spread (USD/KZT)	10.3	+1.3 n.p.	-0.4 n.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 03/03/2023	% Δ			min for 12 months	max for 12 months
		week	month	since the beginning of the year		
USD KZT	431.1	-3.7%	-6.0%	-6.8%	414.67	512.19
EUR KZT	457.3	-3.5%	-8.8%	-7.2%	443.06	563.56
RUB KZT	5.7	-3.5%	-12.3%	-11.0%	3.98	9.1
CNY KZT	62.5	-3.2%	-8.2%	-6.4%	62.21	80.76



Jusan Analytics Indexes and calculations

Index name	value as of 03/03/2023	% Δ			dynamics (over the last 12 months)
		week	month	since the beginning of the year	
the TENGE Index	91.6	3.8%	8.6%	9.5%	
Tenge volatility*	0.3%	0.8%	1.5%	5.3%	
Export Price Index	153.8	4.11%	5.1%	-2.1%	

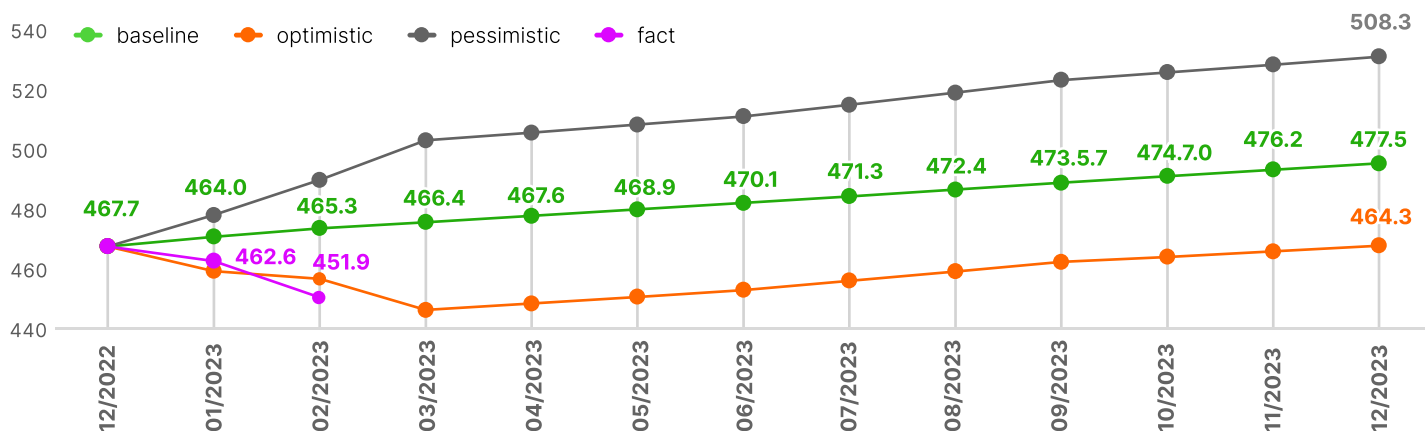
* change columns are used to indicate the average value for the volatility row for the corresponding period (the last 12 months). The column from the beginning of the year shows the average annual volatility over the past 12 months.

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

* ✓ 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.

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