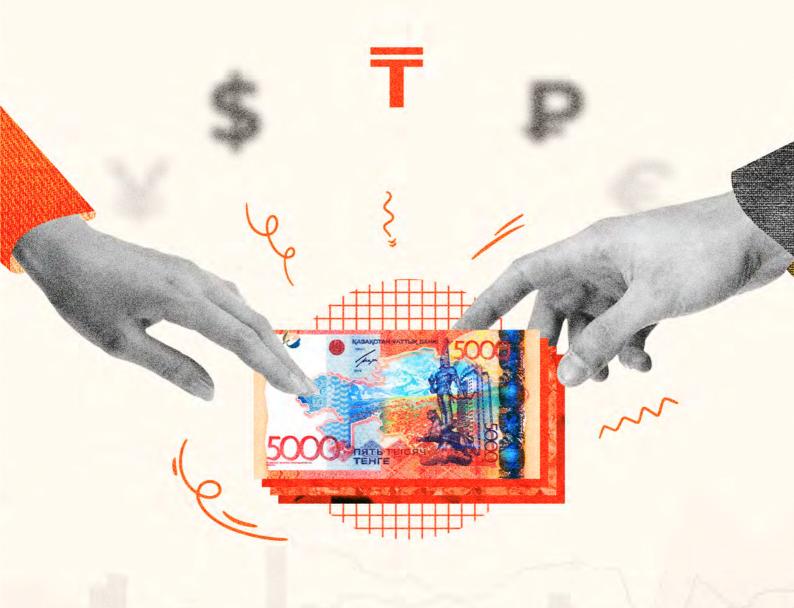JUSAN Analytics

Weekly For€x Review

May 01-05, 2023

The **tenge** exchange rate showed multidirectional dynamics and closed the week at 445.3 tenge per dollar last week. The national currency strengthened under the influence of internal factors mainly due to an increase in the volume of currency conversion of the NBK. So, the conversion volume was $ 600 million in April, and in May it will be $ 750-800 million. Given the smaller number of working days, this will increase the daily volume of conversions and hence the supply of foreign currency on the market. At the same time, the external conditions last week were negative.

Amid expectations about the decision on the US Federal Reserve rate, the **Dollar Index** fell to 101.3 p. The Index slightly strengthened after the announcement of the decision to raise the rate by 25 bps, but ended the week with a weakening. The Head of the Fed announced a possible pause in further rate hikes, which also affected the dynamics of the Dollar Index.

The increase in the key rate of the US Federal Reserve and the increased risks of recession affected **oil** quotes. So, the price of oil fell to $72.3 per barrel this week. However, it had recovered to $75.3 by the end of the week. Most market participants expect an increase in the purchase of crude oil from China due to the increase in domestic traffic in China. An additional growth factor is favourable statistics on the state of the labour market in the United States. The number of jobs created in April increased by 253 thousand, while there were predicted 180 thousand.

The unemployment rate for the same period decreased from 3.5% to 3.4% (forecast 3.6%), and the average salary increased by 4.4%. In general, investors reacted positively to the statistics, which led to a decline in pessimism in the market. Now investors are waiting for inflation data, which will be released on Wednesday and according to the results of which it will be possible to predict the next decision on the US Federal Reserve rate.

The exchange rate of the Russian currency last week strengthened to 77.4 **rubles** per dollar. Despite the negative external economic conditions the ruble is strengthening due to a reduction in the discount on Russian oil and an increase in foreign exchange earnings. An important factor is the reduction in demand for the currency. There is a reduction in imports due to the tightening of sanctions restrictions in Russia, which is accompanied by a decrease in demand for foreign currency.

We expect a rate in the range of 447.7-460.72 tenge per dollar in May. At the same time, a significant impact of internal factors will be reflected by the strengthening of the exchange rate, which goes beyond our forecast. For example, conducting a tax week and converting the NBK currency.

Summary of fundamental factors

factor name	quotes as of 05/05/2023	% Δ		impact on tenge*	factor name	value as of 05/05/2023	revision date	revision direction
		week	month					
Brent price	75.3	-5.3%	-11.4%	▲	NBK	4.75%	02/24/2022	▲
The Dollar Index	101.2	-0.5%	-0.6%	▼	Fed	1.95%	05/03/2023	▲
USDRUB	77.4	-3.6%	-3.1%	▲	ECB	-1.55%	05/04/2023	▲
CDS spread (USD/KZT)	907.4	+1.1 p.p.	-82.1 p.p.	▲	RF CB	1.00%	04/28/2023	▲

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)*

(Note: "Real rate of the CB**" spans the central column between the two factor-name groups)

The exchange rate of tenge to foreign currencies

currency pair	exchange rate as of 05/05/2023	% Δ			min for 12 months	max for 12 months
		week	month	since the beginning of the year		
USD KZT	445.3	-1.8%	-1.2%	-3.8%	414.67	484.18
EUR KZT	491.0	-1.4%	0.2%	-0.4%	443.06	505.77
RUB KZT	5.8	3.0%	0.3%	-9.8%	5.36	9.1
CNY KZT	64.5	-1.6%	-1.5%	-3.4%	62.21	71.91

Jusan Analytics Indexes and calculations

Index name	value as of 05/05/2023	% Δ			dynamics (over the last 12 months)
		week	month	since the beginning of the year	
the TENGE Index	88.7	0.6%	-0.6%	6.1%	
Tenge volatility*	0.7%	0.6%	1.3%	5.0%	
Export Price Index	135.3	-5.41%	-3.6%	-13.9%	

* 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		
05/05/2023		445.3			×	Increased supply of foreign currency on the market and ignoring foreign economic factors
	USDKZT		460.7	477.6		

* ✓ matches, ✗ does not match

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

We have revised our outlooks for the exchange rate due to the beginning of the 2nd quarter. The outlook revision is due to the adjustment of key indicators such as the forecast for oil prices (improvement), the forecast for inflation (improvement) and expectations for the dynamics of the Fed's base rates (Bloomberg consensus forecast) and the NBK (slow decline). Given the reduction in supply and the gradual decline in pessimism among market participants, we expect an increase in oil prices in both optimistic and pessimistic scenarios. We also expect a decrease in price growth in annualized terms at the level of 12.4-14.3% at the end of last year. Such a reduction is due to the delayed impact of a high base rate and low household inflation expectations. The impact on reducing inflation will be influenced by the release of price imbalances in fuel and utilities that have accumulated during their artificial restriction.

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Disclaimer:
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