

# Weekly For€x Review

02/06/2023-  
02/10/2023



**The tenge** continued to strengthen, and the exchange rate closed at 450.8 tenge per dollar last year. The Dollar Index rose after statements by the US Federal Reserve Chairman about the expectation of a significant decrease in inflation this year. And the rhetoric of tightening the monetary policy remains at the same time.

The price of Brent crude **oil** rose by 8.7% and closed at \$ 86.4 per barrel on Friday. The reason was the statement of the Deputy Prime Minister of the Russian Federation Alexander Novak on plans to reduce oil production by 500 thousand barrels per day. Also, an additional and significant reason was the suspension of Turkey's largest oil port due to the earthquake, through which oil from Azerbaijan and Iraq is transported.

Keeping the base rate of the Central Bank of the Russian Federation and the "hawkish" signal of a possible monetary policy tightening had a short-term effect. The new budget rule on the sale of foreign currency also failed in the positive effect of the **ruble** exchange rate.

In total, the external background has had a positive impact on the tenge exchange rate in most cases. We also note the dominance of demand for tenge instruments and an increased supply of currency in the market. The start of the tax week will positively affect the dynamics of the tenge exchange rate, but it will have a temporary effect.

## Summary of fundamental factors

factor name	exchange rate as of 02/10/2023	% Δ		impact on tenge*	factor name		value as of 02/13/2023	revision date	revision direction
		week	month						
Brent price	86.4	-7.8%	2.7%	▼	Real rate of the CB**	NBK	3.75%	06.12.2022	▼
The Dollar Index	103.6	1.0%	-1.3%	▲		Fed	1.65%	01.02.2023	▲
USDRUB	73.9	1.6%	-1.9%	▼		ECB	-3.30%	02.12.2022	▲
CDS spread (USD/KZT)	10.56	-0.2p.p.	-0.13p.p.	▼		RF CB	0.50%	10.02.2022	▼




\*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 02/10/2023	% Δ			min for 12 months	max for 12 months
		week	month	since the beginning of the year		
USD KZT	450.8	-1.7%	-1.4%	-2.6%	414.67	512.19
EUR KZT	482.6	-3.7%	1.5%	-2.1%	443.06	563.56
RUB KZT	6.2	-5.1%	-0.2%	-3.7%	3.98	9.1
CNY KZT	66.3	-2.6%	0.6%	-0.7%	62.21	80.76

## Jusan Analytics Indexes and calculations

Index name	value as of 02/10/2023	% Δ			dynamics (over the last 12 months)
		week	month	since the beginning of the year	
<a href="#">the TENGE Index</a>	86.8	2.8%	3.7%	2.9%	
Tenge volatility*	1.0%	0.8%	1.5%	5.3%	
<a href="#">Export Price Index</a>	153.0	4.5%	4.2%	-2.7%	

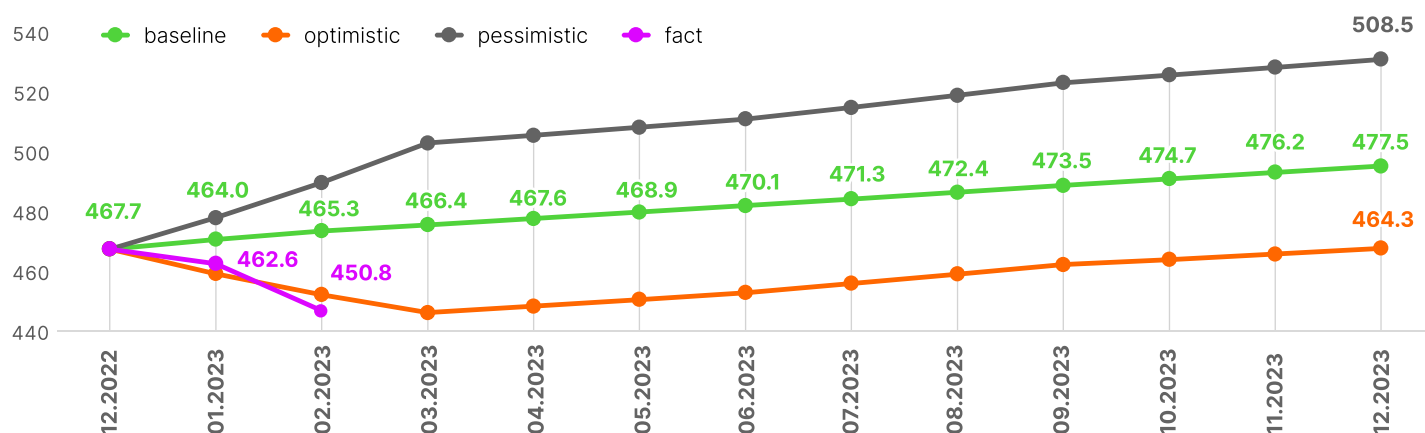
\* change columns are used to indicate the average value for the volatility row for the corresponding period (the last 12 months). The column from the beginning of the year shows the average annual volatility over the past 12 months.

## Jusan Analytics forecast

forecast date	currency pair	forecast period			fact-forecast correlation*	comment
		week	month	end of the year		
01/30/2023	USDKZT	458.7	465.3	477.5	×	Strengthening of the exchange rate despite the negative external background
02/06/2023		450.8			×	There is a high demand for tenge instruments and an oversupply of the currency since consensus expectations for the base rate reduction among economic agents and a faster stabilization of inflation.

\* ✓ 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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