

Weekly For€X Review

02/13/2023-02/17/2023





The tenge strengthened against all major currencies last week. The tax week positively impacted the exchange rate, but the external background was negative.

The Dollar Index strengthened to 103.86 points due to hawkish comments by the US Federal Reserve representatives about the intention to raise the rate by 50 bps. An additional factor was pro-inflationary statistics. The US Producer Price Index rose above analysts' forecasts: 0.7% vs. 0.3%.

The oil price quotes were also affected by the comments of the US Federal Reserve representatives - they declined due to expectations for tightening monetary policy and the dollar strengthening. An additional factor in the decline was the statistics of the US Department of Energy on oil reserves, which were higher than experts' forecasts.

The ruble to the US dollar exchange rate increased by 0.5% over the week. The ruble correction was due to the statements of the Minister of Finance of the Russian Federation that the main parameters of the federal budget in 2023 expecting a deficit of 2% of GDP, will be maintained. The Head of the Central Bank of the Russian Federation also stated that they do not rule out a more active tightening of the monetary policy.

The tax week will have a temporary effect, and in all likelihood that we will see a correction in the exchange rate by the end of the week. And it will be also contributed by an adopted on February 24 next planned decision of the NBK on the base rate.

Summary of fundamental factors

factor name	quotes as of 02/17/2023	% Δ		impact on tenge*	factor name	values as of 02/20/2023	revision date	revision direction	
		week	month						
Brent price	83.0	-3.9%	-3.4%	▲	Real rate of the CB**	NBK	3.75%	06/12/2022	▼
The Dollar Index	103.9	0.2%	1.4%	▲		Fed	1.65%	01/02/2023	▲
USDRUB	74.3	0.5%	7.4%	▲		ECB	-3.30%	02/12/2022	▲
CDS spread (USD/KZT)	10.5	-0.1p.p.	+0.26p.p.	▼		RF CB	0.50%	10/02/2023	▼

*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 02/17/2023	% Δ			min for 12 months	max for 12 months
		week	month	since the beginning of the year		
USD KZT	444.2	-1.5%	-4.5%	-4.0%	414.67	512.19
EUR KZT	472.5	-2.1%	1.5%	-4.1%	443.06	563.56
RUB KZT	6.0	-3.7%	-0.2%	-7.3%	3.98	9.1
CNY KZT	64.5	-2.6%	0.6%	-3.3%	62.21	80.76



Jusan Analytics Indexes and calculations

Index name	values as of 02/17/2023	% Δ			dynamics (over the last 12 months)
		week	month	since the beginning of the year	
the TENGE Index	88.6	2.1%	6.9%	5.1%	
Tenge volatility*	1.0%	0.8%	1.5%	5.3%	
Export Price Index	147.7	-3.0%	-6.0%	-6.0%	

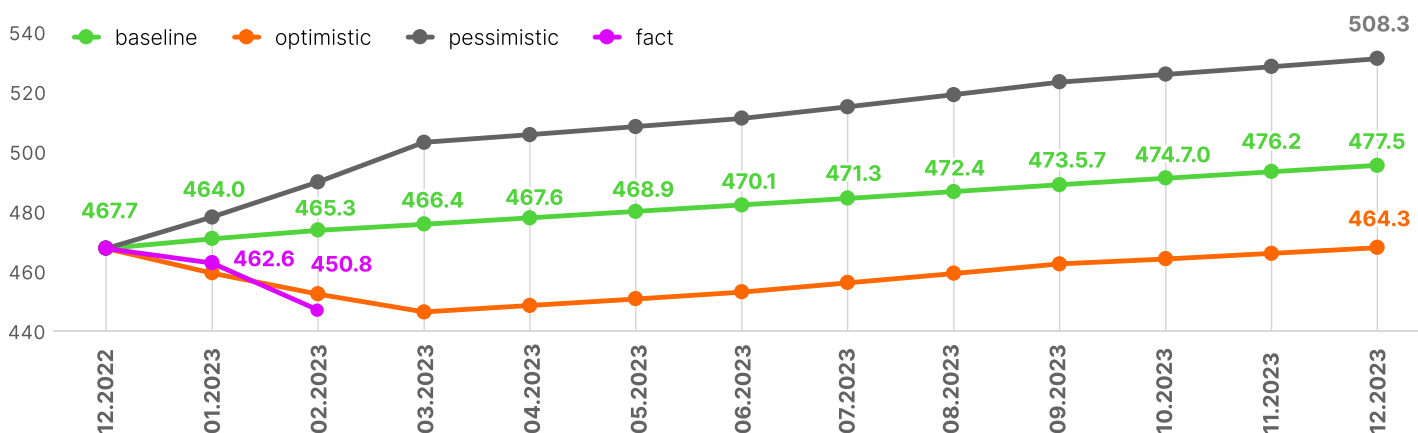
* change columns are used to indicate the average value for the volatility row for the corresponding period (the last 12 months). The column from the beginning of the year shows the average annual volatility over the past 12 months.

Jusan Analytics forecast

forecast date	currency pair	forecast period			fact-forecast correlation*	comment
		week	month	end of the year		
30.01.2023	USDKZT	458.7	465.3	477.5	×	Strengthening of the exchange rate despite the negative external background
06.02.2023		457.7			×	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.
17.02.2023		444.2			×	The exchange rate strengthening due to the tax week

* ✓ 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