

Weekly For€X Review

03/13/2023-03/24/2023





The dynamics of the **tenge** exchange rate for the last 2 weeks have mostly been influenced by external economic factors. Thus, the exchange rate has grown to 466 tenge per dollar since the beginning of the year, and it fell to 457 tenge by the end of the week (March 24). In general, this weakening is explained by the household emotional factor, which is shifting towards negative expectations about the onset of a global recession associated with problems in the banking sector.

The crisis of confidence in the banking segment raises concerns among market participants and affects the entire global economy despite the rapid reactions of regulators in developed countries.

Concern about the global economic state, as well as the increase in key rates by CBs of leading countries affects the reduction of risk appetite, which greatly affected oil quotes. Expectations about a demand reduction lowered **oil prices** to \$72.97 per barrel. We note that this is a record decline since November 2021. Lower prices for raw materials and expectations about a decrease in their consumption volume entail a reduction in export earnings and lead to the exchange rate weakening.

We observed a significant strengthening of the tenge, supported by positive expectations of market participants about the withdrawal of uncertainty and risk reduction in the first 2 months of this year.

However, the growing risks of a possible global recession have turned the mood of market participants, especially on oil prices and the stability of the disinflationary trend.

The current dynamics of the exchange rate coincides with our baseline forecast, and under the influence of basic economic conditions, the withdrawal of excessive positivity reflects the equilibrium rate. The current dynamics of the exchange rate are not a critical weakening, and further solving problems of the global financial sector will increase the positivity of market participants, which will positively impact the exchange rate.

Summary of fundamental factors

factor name	quotes as of 03/24/2023	% Δ		impact on tenge*	factor name	value as of 03/24/2023	revision date	revision direction	
		week	month						
Brent price	75.0	-9.4%	-9.8%	▲	Real rate of the CB**	NBK	4.75%	02/24/2022	▲
The Dollar Index	103.1	-1.4%	-1.0%	▼		Fed	1.70%	03/22/2023	▲
USDRUB	77.1	1.3%	2.8%	▲		ECB	-2.30%	03/16/2023	▲
CDS spread (USD/KZT)	1 015.1	-46 п.п.	+108.8 п.п.	▼		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 03/24/2023	% Δ			min for 12 months	max for 12 months
		week	month	since the beginning of the year		
USD KZT	457.3	2.5%	2.1%	-1.2%	414.67	495.43
EUR KZT	490.4	3.9%	3.5%	-0.5%	443.06	544.53
RUB KZT	6.0	1.7%	0.7%	-7.2%	4.97	9.1
CNY KZT	66.5	3.8%	3.0%	-0.3%	62.21	77.81



Jusan Analytics Indexes and calculations

Index name	value as of 03/24/2023	% Δ			dynamics (over the last 12 months)
		week	month	since the beginning of the year	
the TENGE Index	86.6	-3.1%	-1.9%	3.5%	
Tenge volatility*	0.8%	0.6%	1.4%	2.9%	
Export Price Index	135.4	-7.74%	-8.4%	-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.

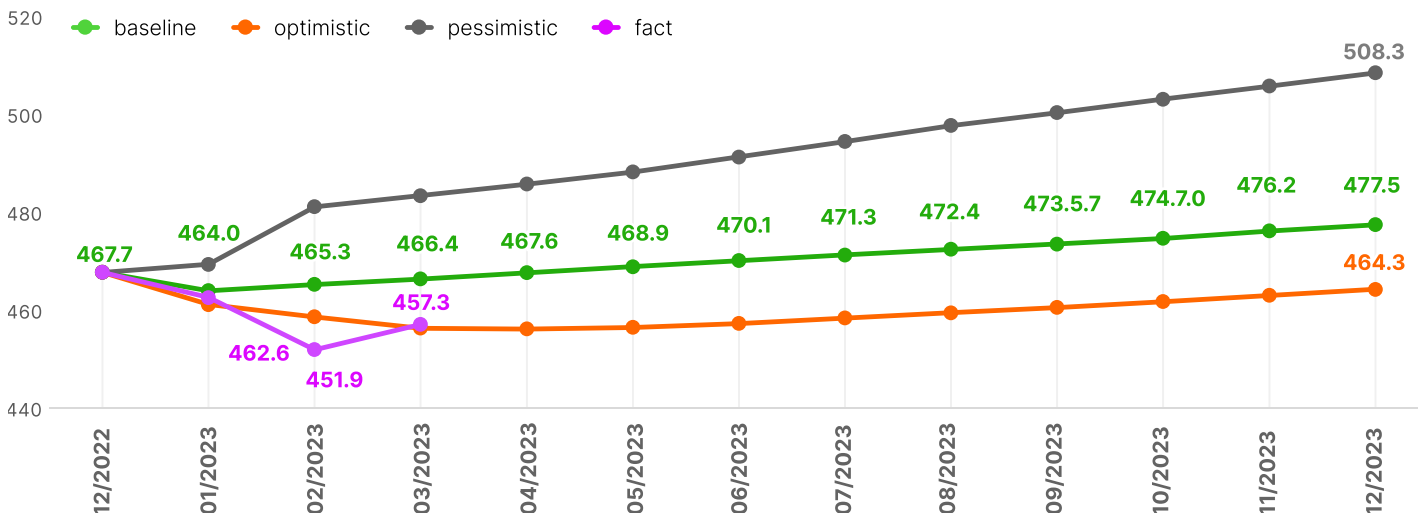
Jusan Analytics forecast

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
03/10/2023		446.0			×	Exchange rate correction later on the influence of internal factors
03/17/2023		460.8			✓	
03/24/2023		457.3			✓	

* ✓ 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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