JUSAN
Analytics

Weekly For€x
Review

April 17-21, 2023

The tenge exchange rate weakened to 457.7 tenge per dollar last week. The dynamics of the exchange rate are mainly due to external economic factors, while the exchange rate trajectory coincides with our outlooks.

The main factor of the weakening was the strengthening of the US currency. **The Dollar Index** rose by 0.2 points. Market participants expect a further increase in the key rate of the US Federal Reserve, the presidents of the St. Louis and Atlanta Federal Reserve Banks made "hawkish" statements, pointing to the need to raise the key rate. At the same time, the largest US banks reported high revenues, which contradicts expectations about the economy slipping into recession and supports the idea of raising the key rate.

Statistics on inflation in Europe and the UK also indicate the need to raise the key rate. Concerns about another rise in interest rates are increasing uncertainty about energy demand even despite the recovery in consumption from China. Thus, the **oil price** decreased by 5.4% for the week.

The ruble showed strengthening against the dollar during the week. This is characterized by the activation of exporters on the eve of the tax week. At the same time, the ruble weakened and lost all weekly strengthening due to oil prices drop by the end of the week.

Summary of fundamental factors

factor name	quotes as of 04/21/2023	% Δ		impact on tenge*	factor name		value as of 04/21/2023	revision date	revision direction
		week	month						
Brent price	81.7	-5.4%	8.4%	▲	Real rate of the CB**	NBK	4.75%	02/24/2022	▲
The Dollar Index	101.7	0.2%	-1.5%	▲		Fed	1.70%	03/22/2023	▲
USDRUB	81.7	-0.1%	6.6%	▼		ECB	-2.30%	03/16/2023	▲
CDS spread (USD/KZT)	964.0	-5.5 p.p.	-47.7 p.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 04/21/2023	% Δ			min for 12 months	max for 12 months
		week	month	since the beginning of the year		
USD KZT	457.7	1.7%	-1.0%	-1.1%	414.67	484.18
EUR KZT	501.3	0.7%	1.6%	1.7%	443.06	505.77
RUB KZT	5.7	2.9%	-5.2%	-11.7%	5.36	9.1
CNY KZT	66.4	1.1%	-1.0%	-0.4%	62.21	71.91

Jusan Analytics Indexes and calculations

Index name	value as of 04/21/2023	% Δ			dynamics (over the last 12 months)
		week	month	since the beginning of the year	
the TENGE Index	87.5	-1.8%	1.8%	4.5%	
Tenge volatility*	0.9%	0.6%	1.3%	5.0%	
Export Price Index	144.5	-4.39%	6.7%	-8.0%	

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 outlook

forecast date	currency pair	outlook period			fact-outlook correlation*	comment
		week	month	end of the year		
04/03/2023		445.0			✓	Market participants optimism amid high oil prices
04/10/2023	USDKZT	450.3	458.5	477.6	✓	Quotation price adjustment due to a decline in excessive optimism
04/17/2023		457.7			✓	Tenge weakening due to oil prices cutting

* ✓ 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.
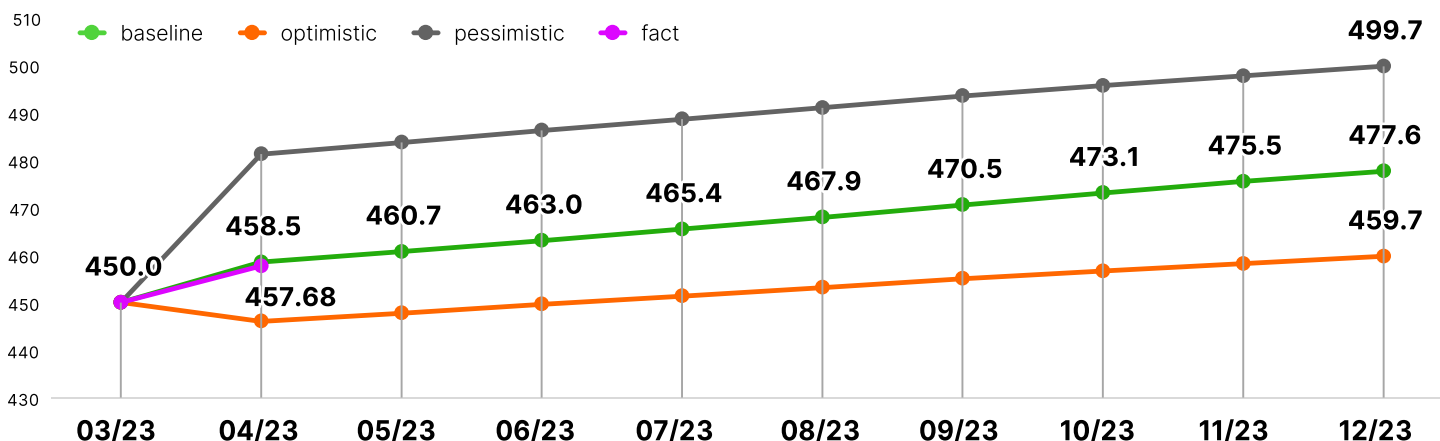
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Disclaimer:
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