

Weekly For€X Review

02/20/2023-02/24/2023





Last week, the **tenge** weakened due to the end of the tax week. The decision to maintain the base rate helped the exchange rate to strengthen slightly and prevent its weakening. The external background at the same time was very ambiguous.

The **Dollar** Index rose sharply to 105.2 points on Friday. The reason was the expectation of the US Federal Reserve's key rate increase. Statistics show an increase in consumer spending and inflation. At the same time, the President of the Federal Reserve Bank of Cleveland states that high inflation points to the need for a further key rate increase.

Hawkish statements by the President of the Federal Reserve also influenced the decline in **oil** prices to \$ 80 per barrel. However, the market is optimistic about the dynamics of demand recovery in China after the cancellation of lockdowns and expects a reduction in Russian exports, which allowed oil prices to rise at the end of the week.

The **ruble** continues to weaken. The main factor was the introduction of the 10th package of sanctions against Russia. An additional factor is still a significant budget deficit.

In general, the exchange rate adjusted last week after the influence of short-term factors. We do not expect any significant internal events that could strongly affect the dynamics of the exchange rate. Therefore, this week we expect a further correction of the exchange rate to come to the values of the pre-tax week.

Summary of fundamental factors

factor name	quotes as of 02/24/2023	% Δ		impact on tenge*	factor name	values as of 02/27/2023	revision date	revision direction	
		week	month						
Brent price	83.2	0.2%	-3.4%	▼	Real rate of the CB**	NBK	4.75%	02/24/2023	▲
The Dollar Index	105.2	1.3%	1.4%	▲		Fed	1.65%	02/01/2023	▲
USDRUB	75.6	1.8%	7.4%	▲		ECB	-3.30%	02/02/2023	▲
CDS spread (USD/KZT)	9.1	-1.4 p.p.	-1.8 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 02/24/2023	% Δ			min for 12 months	max for 12 months
		week	month	since the beginning of the year		
USD KZT	447.7	0.8%	-3.1%	-3.2%	414.67	512.19
EUR KZT	473.9	0.3%	-5.5%	-3.9%	443.06	563.56
RUB KZT	5.9	-0.5%	-11.8%	-7.8%	3.98	9.1
CNY KZT	64.5	0.0%	-5.2%	-3.3%	62.21	80.76



Jusan Analytics Indexes and calculations

Index name	value as of 02/24/2023	% Δ			dynamics (over the last 12 months)
		week	month	since the beginning of the year	
the TENGE Index	88.3	2.1%	5.9%	4.7%	
Tenge volatility*	0.3%	0.8%	1.5%	5.3%	
Export Price Index	147.7	0.04%	-5.2%	-6.0%	

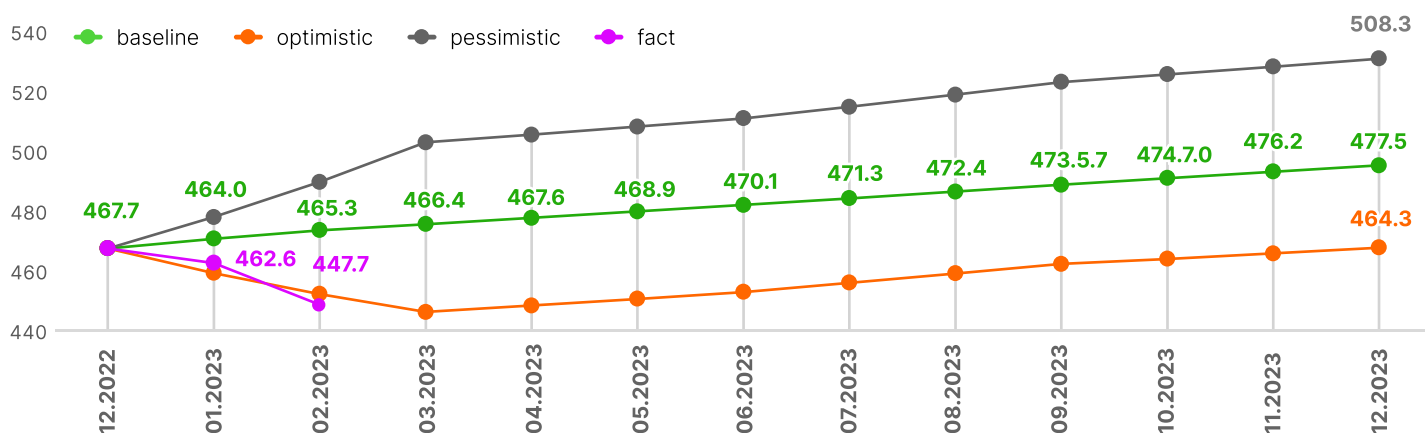
* change columns are used to indicate the average value for the volatility row for the corresponding period (the last 12 months). The column from the beginning of the year shows the average annual volatility over the past 12 months.

Jusan Analytics forecast

forecast date	currency pair	forecast period			fact-forecast correlation*	comment
		week	month	end of the year		
01/30/2023	USDKZT	458.7	465.3	477.5	×	Strengthening of the exchange rate despite the negative external background
02/06/2023		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.
02/17/2023		444.2			×	The exchange rate strengthening due to the tax week
02/24/2023		447.2			×	Weakening due to the end of the tax week and the base rate increase

* ✓ 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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