

Weekly For€X Review

03/27/2023-03/31/2023





The tenge strengthened by 2.3% last week and the exchange rate amounted to 451.7 tenge per dollar. At the same time, the average weighted rate was 449.99 tenge per dollar in March. Strong support for the national currency is provided by the projection of oil quote growth, which we think contains a significant share of market sentiment.

So, **oil** strengthened to 79.8 dollars per barrel during the week. At the beginning of the week, news was released about the suspension of the export of Kurdish oil through the Turkish port of Ceyhan due to disagreements between Iraq and Iraqi Kurdistan. An additional factor was the statistical data on US commercial oil reserves: they decreased by 7.5 million barrels. And at the end of the week, the news was released about the reduction of oil production by the OPEC+ member countries from May until the end of the year. The total reduction will be 1.66 million barrels per day.

At the same time, regarding the development of the global economy, market participants remain rather pessimistic, which is not completely supported by economic statistics in our opinion. Thus, **the Dollar Index** fell by 0.53 points during the week. Investors' concerns about the crisis in the banking sector do not subside. US Treasury Secretary Janet Yellen announced that she was not considering universal insurance of Americans' bank deposits, while the opposite was stated before. Such a statement is likely to increase the outflow of deposits from small and medium-sized US banks.

Summary of fundamental factors

factor name	quotes as of 03/31/2023	% Δ		impact on tenge*	factor name	value as of 03/31/2023	revision date	revision direction	
		week	month						
Brent price	79.8	6.4%	-4.9%	▼	Real rate of the CB**	NBK	4.75%	02/24/2022	▲
The Dollar Index	102.6	-0.5%	-2.2%	▼		Fed	1.70%	03/22/2023	▲
USDRUB	77.6	0.7%	3.5%	▲		ECB	-2.30%	03/16/2023	▲
CDS spread (USD/KZT)	1 013.0	+1.3 p.p.	-23.3 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 03/31/2023	% Δ			min for 12 months	max for 12 months
		week	month	since the beginning of the year		
USD KZT	451.7	-2.0%	1.3%	-2.4%	414.67	484.18
EUR KZT	491.6	0.2%	4.0%	-0.2%	443.06	522.37
RUB KZT	5.9	-2.7%	-1.7%	-8.9%	5.39	9.1
CNY KZT	65.7	-1.8%	2.2%	-1.5%	62.21	74.33



Jusan Analytics Indexes and calculations

Index name	value as of 03/31/2023	% Δ			dynamics (over the last 12 months)
		week	month	since the beginning of the year	
the TENGE Index	87.7	1.2%	-0.8%	4.8%	
Tenge volatility*	0.8%	0.6%	1.4%	2.9%	
Export Price Index	142.5	5.29%	-4.3%	-9.3%	

* 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.

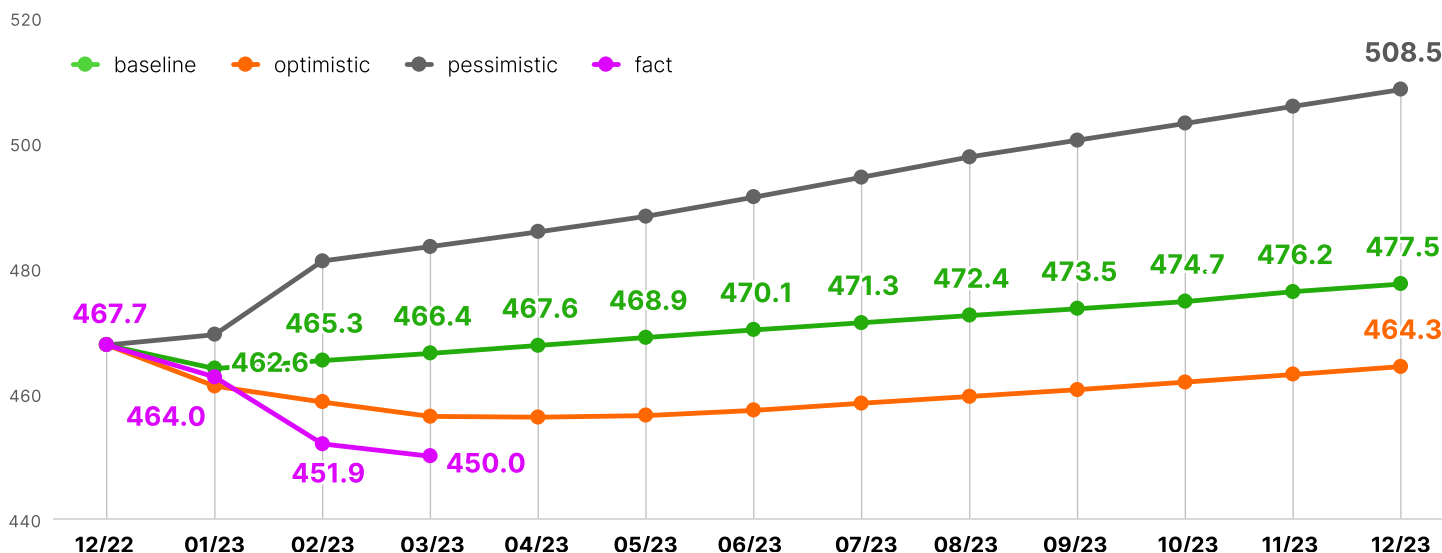
Jusan Analytics forecast

forecast date	currency pair	forecast period			fact-forecast correlation*	comment
		week	month	end of the year		
03/10/2023	USDKZT	446.0	466.4	477.5	×	Strengthening of the exchange rate due to the sale of foreign exchange earnings and transfers from the National Fund
03/17/2023		460.8			✓	Exchange rate correction later on the influence of internal factors
03/24/2023		457.3			✓	
03/31/2023		451.7			×	A significant share of emotions in the OPEC oil decision

* ✓ 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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