

Tenge exceeded 430 per USD for the first time since April

- Tenge has been weakening measurably for the last few days, and oil is getting cheaper. Please tell us what are factors behind such volatility in international markets and how does this affect the exchange rate of tenge?

- Exchange trading in the USD/KZT currency pair on the Kazakhstan Stock Exchange on November 18 reached the level of 431.60 KZT, which is a maximum value for more than six months. Dynamics of the exchange rate reflect current trends in the energy market and situation in the international market.

On the one hand, oil quotes since the end of October have declined by more than 5% from their highest levels over the last 7 years amid speculation about possible measures of the Biden administration to curb the rise in oil prices as well as against the background of forecasts of OPEC and the International Energy Agency about imminent appearance of excess supply in the oil market. Market participants are concerned about the sale of oil from strategic reserves of the United States and China agreed upon during recent negotiations between leaders of these countries on November 16.

On the other hand, expectation of a faster start of the rates hike cycle in the United States in response to high inflation indicators makes currencies of emerging countries less attractive and is an additional factor for depreciation of the tenge. Accelerating inflation in the United States up to 6.2%, which is the highest value in 30 years, brought closer an expected date of start of rates hike in the United States and an increase in bond yields. Strengthening of the US dollar continues to put widespread pressure on the emerging markets currencies.

J.P. Morgan Emerging Market Currency Index (EMCI) has weakened by 2.1% since late October amid investor concerns about capital outflows from the emerging markets with the launch of a tightening cycle in central banks of developed countries. Thus, the Turkish lira lost 15.2% of its value, the South African rand 2.7% and the Chilean peso 2.2%. In Turkey, lira devaluation takes the form of a currency crisis.

Against the background of a change in sentiment related to the emerging markets, we indicate a decreasing demand for government securities of Kazakhstan among non-residents, which since the beginning of the month have cut their investments by 23 billion KZT or 3% of the position.

The Russian ruble is also showing negative dynamics amid escalating geopolitical risks. Pentagon spokesman John Kirby's statements on the movement of Russian troops near the border with Ukraine have raised concerns among investors. The US had warned its EU colleagues about possible Russian plans to invade Ukraine and are urging Russia to clarify its intentions. Since the beginning of November, exchange rate of the ruble against the USD began to weaken noticeably from 70.9 to 73.1 RUR/USD, having weakened by 3.1%.

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In general, we can say that the tenge is formed under the influence of fundamental factors and reflects dynamics of underlying trends in the energy market and the emerging markets.