**Kazakhstan to Cut Swap Rates as Ruble Rebound Eases Pressure (1)  
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By Nariman Gizitdinov

**(Bloomberg) -- Kazakhstan’s central bank plans to cut the cost of cash it lends to banks after the ruble’s recovery eased devaluation pressures, Governor Kairat Kelimbetov said.**

The rate charged on foreign-currency swaps and repurchase operations may be reduced by 1 percent in June, Kelimbetov said in an interview Friday in the capital, Astana, adding that there was “no frenzy” on the currency market. Kazakhstan won’t be pressured into abandoning its managed exchange rate and foreign  
currency reserves are growing, he said.

 The need for Kazakhstan to let its currency weaken to compete with Russia, its biggest trading partner, has diminished with the ruble’s 21 percent surge this year. A “sharp” depreciation will be avoided, Kazakh President Nursultan Nazarbayev said after his re-election last month. Kazakhstan, central Asia’s biggest energy producer, is part of a Russia-led economic union.

When the oil price is at $60 to $65 per barrel, and there’s stabilization in neighboring economies, we believe we are in a comfort zone,” Kelimbetov said. “The tenge isn’t overvalued versus the ruble.”      Kazakhstan’s currency weakened 0.2 percent to 186.09 versus the dollar as of 9:30 p.m. in Astana, taking its decline this year to 2 percent. The nation’s dollar bonds maturing October 2024 rose for a third day, lowering the yield nine basis points in the week to 4.43 percent.  
  
**Importing Instability**  
The Kazakh central bank buys and sells foreign currency to keep the tenge’s movements within a corridor against the dollar. While the corridor is adequate for now, Kazakhstan must move to a new currency policy in the next 12 to 36 months, Kelimbetov told an International Monetary Fund conference in Almaty on Tuesday. On Friday, he declined to comment on how much the central bank had spent to support the tenge.

Russia switched to a freefloat in November after burning through almost $90 billion trying to slow the ruble’s drop as oil prices fell and U.S. and European Union sanctions choked off foreign funding. “In Russia, instability was imported through monetary policy,” he said. “If we need to change anything we will  
announce it. It won’t be overnight news.”  Even though the situation on currency markets is stabilizing, it’s to early to tell if Russian goods are still unfairly priced compared with local products, Kelimbetov said. The situation will be clear by the end of the year and if the opportunity for export arbitrage remains, the government will help local companies with subsidized loans and state purchase orders, he said.  
--With assistance from Ksenia Galouchko in Moscow.