

## Foreign Exchange Market

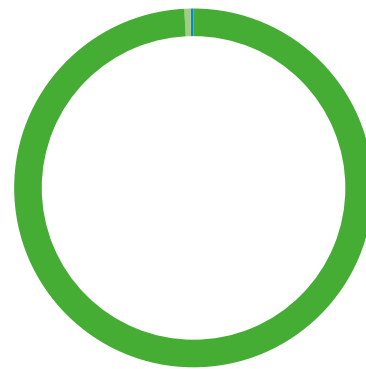
In 2018, total volume of trading in the Forex market amounted to KZT 13.4 trillion, which is by 9.1% or KZT 1.1 trillion higher than last year. 34 KASE members participated in Forex trading since the beginning of the year. The average daily trading volume amounted to KZT 54.7 mln (+8.7% against 2017), average number of transactions was 316 (-33 against 2017), average volume of one transaction was KZT 172.8 mln.

**US dollar.** In the first half of the reporting year, the national currency gradually strengthened against the dollar following the usual seasonal dynamics. This was facilitated by both the period of exporters' tax payments and strong growth of Brent crude oil prices.

The introduction of new anti-Russian sanctions by the U.S. early April became the first significant external shock. At the same time, USD/RUB exchange rate rose by 8.5% during the period from April 5 and 11. This weakening of the ruble against the dollar had influenced exchange rates of other currency pairs on KASE: USD / KZT exchange rates rose by 3.5% and RUB/KZT exchange rates dropped by 6.4%. The subsequent smooth weakening of the tenge took place amid exodus of capital from emerging markets due to the continued tightening of the U.S. Federal Reserve's monetary policy.

The expansion of anti-Russian sanctions in August led to market participants' reaction similar to the April reaction. Plunging oil prices moved to the bear market phase after reaching its more than four-year high in early October and became an additional factor of pressure on exchange rates.

### Trading volume of FX market



▲ USD	13,335.1
▲ RUB	59.0
▲ EUR	22.9

*Instrument volume, KZT bn*

The National Bank decided to raise the base rate by 25 bps to 9.25% APR on October 15 for mitigate increased inflationary pressure from the foreign exchange market. There were no sharp fluctuations in exchange rates in the last quarter of 2018. However, in the run-up to the New Year holidays, exchange rates of foreign currencies soared again on KASE. Thus, the last trading day of 2018 ended with a new historical high of the USD/KZT currency pair: weighted average rate of one dollar on KASE at the end of the two sessions was KZT 384.20 (the previous record high was KZT 383.91 on January 21, 2016).

**Russian ruble.** The volume of trading in the ruble dropped by 71.4% to RUB10.7 bn. This decline was mainly due to the high base effect of 2017. An additional factor of the decline in participants' activity is the increased turbulence of the exchange rates of the tenge and the USD/RUB currency pair, which has gave more attention to the dollar. Thus, the number of transactions with the ruble was 1,546, which is by 764 and 1,198 transactions less than in 2017 and 2016, respectively. A total of 20 members of the Exchange participated in the trading with the ruble, while a year earlier the number was 21.

**Chinese yuan.** Market participants are showing increasing interest in trading with the yuan. The volume of transactions almost doubled to CNY218.0 mln. The number of transactions diminished by 341 to 545, but the average volume of transactions tripled to 400.0 thousand per transactions.

Volume of instrument, KZT bn

