

## **OPEC + Countries Failed to Agree on Volume of Oil Production, EM Currencies Respond to Delta Strain**

*Nurzhan Tursunkhanov, Director of the Monetary Operations Department of the National Bank, commented on how the situation on foreign markets developed on holidays and what factors affected KZT dynamics after the weekend.*

### **– What has affected KZT weakening after a long weekend? How did the situation develop on foreign markets?**

– External factors have a negative impact on the national currency, where the main is current high volatility of oil prices.

OPEC + countries, led by Saudi Arabia, have failed to reach a compromise to expand oil production by 400 thousand barrels monthly from August to December this year due to requirements of the UAE to revise a base level of output from 3.2 million to 3.8 million barrels per day. According to the Saudi Arabian Energy Minister, the OPEC + alliance cannot make exceptions to the rules for the UAE. Failure to reach a compromise means that the expected production will not increase in August, therefore price for Brent crude for the first time since October 2018 exceeded USD 77 per barrel.

However, amid uncertainty about a further decision of OPEC +, White House Press Secretary Jen Psaki announced during a July 6 briefing that the US authorities were holding high-level consultations with representatives of Saudi Arabia and the UAE in the hope that OPEC members and its partners would be able to provide reliable energy supplies at affordable prices. As a result of this announcement, oil prices fell from USD77.8 to USD74.13 per barrel, showing a 5% intraday decline.

An additional factor putting pressure on KZT is deterioration of a global risk sentiment of investors. In particular, concerns about spread of Covid-19 delta strain have increased, and some countries are forced to tighten quarantine measures again. As a result, beginning of the week was negative for most emerging market currencies: Brazilian real lost 2.8%, Mexican peso lost 1.2%, and South African rand weakened by 0.6%. Russian ruble, currency of one of our major trading partners, has lost 1.6% since the beginning of this week.

World stock indices are also demonstrating negative dynamics (S&P inched down by 0.2%, Dow Jones - by 0.6%), demand for safe assets is growing: gold has grown since the beginning of the week by 0.6% (to USD1798 per troy ounce), dollar index (DXY) gained 0.3%, Japanese yen gained 0.4%.

Volatile oil price dynamics, spread of new strains and Covid-19 pandemic continue to put pressure on the EM currencies, including KZT. After a significant enhancement at the end of last week to the level of 425.60, KZT lost 0.52% of its value at today's trading to the level of 427.85. The National Bank continues to monitor the situation in foreign markets, and in case of destabilizing and speculative fluctuations, it reserves a right to carry out foreign exchange interventions.