Renaissance Capital

Thoughts from a Renaissance man
Economics

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Thoughts from a Renaissance man
EM FX – still good, Frontier/Africa – mixed

Dollar weakness has come, but six months earlier than we expected, which is helpful for our bullish view on EM FX; it's a different story for Africa.

EM FX is still cheap relative to its long-term average – it bottomed in April

Our big picture calls in 2Q20 have had luck on their side. EM FX has rallied since our April report outlining EM FX was the weakest in 15 years. Opinion polls and betting odds on the US election have moved significantly (the latter said we were wrong) since our report in mid-May, when we argued a change of US president would trigger dollar weakness in the 2020s helping EM. Meanwhile inflation figures, including South Africa's yesterday (15 July), have slumped – in line with our view that this latest global recession may have permanently pulled EM inflation and interest rates down towards zero.

We strengthen our EGP and ZAR views, and have not weakened our TRY view

The most unexpected development to us was that the dollar has weakened already, well before the US presidential election. It remains about 5% expensive to its long-term average, but we suspect through the 2020s it will get cheaper to its long-term average.

This does impact on our end-year FX forecasts. For South Africa, we have strengthened our end-year view from 16.5/$ to 16.0/$. For Turkey, it means that despite dire current account (C/A) figures, we are keeping our lira forecast at TRY6.5/$ instead of weakening it to TRY7.0/$. For Egypt, we think there is a good case for the pound to strengthen to 15.0-15.5/$ and we move our end-year forecast from 17/$ to 16/$. While tourism is going to be hit badly, IMF and successful eurobond issuance, combined with renewed global appetite for yield, plus our assumption that the Central bank of Egypt (CBE) will only cut interest rates by around 100 bpts in coming months, means we think portfolio inflows will support the overvalued Egyptian pound. We forecast PKR170 for Pakistan, which continues to have the cheapest south Asian currency.

Meanwhile, we expect the overvaluation of Gulf currencies is going to be eroded by deflation – as usual – and this is already obvious in the UAE and Qatar, where around 6-10% overvaluation is trending towards 2-6% overvaluation. The process should be slower in Saudi given the VAT hike.

Africa and Frontier are a different story as many currencies never sold off significantly

For investors in local markets in Africa, the biggest challenge today is Nigeria. To my surprise, the FX window, which was created in 2017 to ensure portfolio investors would always be able to exit the market, has not functioned as intended during its first real test this year. The illiquid Bureau de Change (BDC) rate at NGN468/$ is around 20% cheaper than the FX window rate for portfolio investors. Our London-based REER model shows the oil-exporting Angolan and Kazakh currencies are both 17-18% cheap to their long-term average, but the naira is 31% overvalued. Kenya also comes out as about 30% overvalued, but market liquidity suggests this is a realistic rate, so we expect the Kenyan shilling to remain around current levels until end-2020.

Elsewhere, we see value for investors in Ghana cedi bonds. The Ethiopian birr remains very overvalued. The Tunisian dinar is cheap, but this model has been saying that for years.

Overview

Below is our latest update of our London-based REER model, which starts in 1995 when EM currencies were increasingly convertible to 2020. We use current REER and average REER rates since 1995, with the spot FX rate now, to determine a long-term average for each currency. We show the valuation of the spot rate to each country's own average rate, rather than against each other. For example, the Philippines is 24% overvalued relative to its own history, while Mexico is 26% undervalued.

It covers just over 25 years when the oil price in today's money was $65. We use that as a mental proxy for commodity prices. It implies commodity exporters should be on the weaker side of their long-term average. We also consider the direction of the C/A – long-term REER appreciation may be justified by productivity trends if the C/A is near balance or in surplus. For example, we suspect the yuan is undervalued given its surplus, even though the model shows China is 23% stronger than its longer-term average. We believe this is because China's economy has moved up the value-added curve so dramatically over 25 years. Most EMs have not changed – relative to trading partners – as dramatically.

We think investors should also take into account local bond yields in nominal terms – so Egyptian pound overvaluation is partly justified by the second-highest yields in EM. We argued in June that EM inflation may be disappearing forever – creating a bid for yield.

Lastly, we add in the latest inflation figures – which give a sense of whether inflation is worsening or improving the REER position. Egypt and India with around 6% inflation, are probably seeing their REER position worsen by about 5% a year. Deflation in Qatar and the UAE is reducing REER overvaluation by about 4% annually.

Figure 1: Emerging Market REER model, with IMF C/A forecasts, and latest interest rate and inflation data

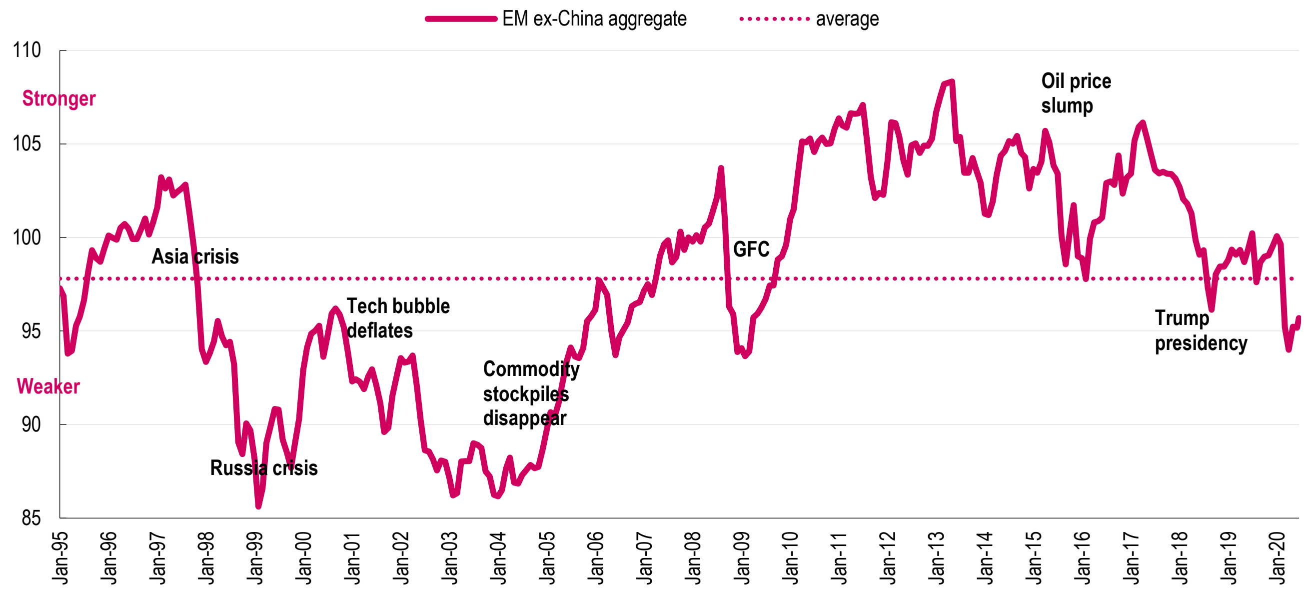
	Current FX rate vs $	FX rate implied by LT average REER	FX rate if REER falls to previous lows	Date of REER low	LT average divided by current rate	IMF 2019E C/A (% GDP)	IMF 2020E C/A (% GDP)	Standard deviations away from historical average	Yvonne's avg. REER 9/19 estimate	RenCap YE20 forecast	1Y local currency yields	Latest CPI (% YoY)
Philippines	49.6	**61.5**	86.6	Feb-04	**1.24**	-0.1	-2.3	1			1.8	2.5
China	6.99	**8.62**	11.9	Apr-95	**1.23**	1.0	0.5	1			2.1	2.5
Czech Republic	23.3	**28.4**	44.2	Jan-95	**1.22**	0.0	-2.1	1			0.1	3.3
Egypt	16.0	**19.3**	29.6	Dec-03	**1.20**	-3.6	-4.3	1	18	16	13.5	5.6
India	75.2	**88.3**	109	Nov-96	**1.17**	-1.1	-0.6	1			3.5	6.1
Thailand	31.7	**36.1**	52.9	Jan-98	**1.14**	6.9	5.2	1			0.5	-1.6
Peru	3.49	**3.88**	4.41	Jul-07	**1.11**	-1.4	-0.9	1			0.6	1.6
Saudi Arabia	3.75	**4.16**	5.07	Mar-08	**1.11**	6.3	-3.1	1		3.75	0.9	0.5
Qatar	3.66	**4.03**	5.15	Dec-03	**1.10**	2.4	-1.9	0		3.66	1.3	-3.4
UAE	3.67	**3.91**	4.50	Nov-07	**1.06**	7.4	1.5	0		3.67	1.2	-2.7
Poland	3.92	**4.07**	4.92	Nov-97	**1.04**	0.5	0.2	0			0.0	3.3
Indonesia	14,625	**15,099**	39,412	Jun-98	**1.03**	-2.7	-3.2	0			4.7	2.0
Taiwan	29.5	**29.6**	34.7	Nov-09	**1.00**	10.5	8.2	0			0.8	-0.8
Hungary	309	**307**	413	Apr-95	**0.99**	-0.8	-0.1	0			0.3	2.9
Russia	71.2	**70.8**	138	Jan-99	**0.99**	3.8	0.7	0		73.6	4.2	3.2
Korea	1,205	**1,193**	1,850	Jan-98	**0.99**	3.7	4.9	0			0.6	0.0
Greece	1.14	**1.16**	1.01	Sep-00	**0.98**	-2.1	-6.5	0		1.14	0.1	-1.6
Chile	787	**745**	924	Jun-03	**0.95**	-3.9	-0.9	0			0.2	2.6
Pakistan	167	**153**	177	Sep-01	**0.91**	-5.0	-1.7	0		170	6.5	8.6
Colombia	3,625	**3,232**	4,452	Mar-03	**0.89**	-4.3	-4.7	0			3.1	2.2
Malaysia	4.27	**3.78**	5.70	Dec-98	**0.89**	3.3	-0.1	-1			1.8	-2.9
South Africa	16.6	**13.9**	20.7	Dec-01	**0.84**	-3.0	0.2	-1	12.88	16	4.2	2.1
Argentina*	71.4	**57.4**	127	Jun-02	**0.80**	-0.8	na	0			54.8	37.4
Turkey	6.86	**5.23**	7.76	Sep-18	**0.76**	1.1	0.4	-1		6.5	9.7	12.6
Brazil	5.36	**4.09**	7.86	Oct-02	**0.76**	-2.7	-1.8	-1			2.5	2.1
Mexico	22.3	**17.0**	27.3	Mar-95	**0.76**	-0.2	-0.3	-1			4.7	3.3

Govt bonds/bills except:Argentina (implied forward), Qatar, Taiwan, UAE (Interbank rates), Saudi Arabia (swap rate).
*Argentina's inflation data was unreliable for 2007-15 – we have constructed an REER series using 'shadow' inflation data
**Yvonne Mhango, our Sub-Saharan Africa economist

Source: Bruegel, IMF, Bloomberg, Renaissance Capital

In EM, we argued in April that there would be a rebound in currencies as EM FX was the cheapest in 15 years. Based on our model, EM FX ex-China did bottom in April.

Figure 2: EM FX REER ex China since 1995 where 98 is the average over 1995-2020



Source: Bruegel, IMF, Bloomberg, Renaissance Capital

In May we argued that the US dollar would weaken in the 2020s, triggered by a change of US president in November. Markets disagreed with us in May, but that election forecast has now become a consensus. The US dollar has already weakened significantly although at this point it may be unrelated to the election (we only assume changed FDI trends in 2021-22 justify the FX call).

For this report we focus mainly on EEMEA and Frontier/Africa currencies, in order of valuation.

Strong **central European** currencies are supported by euro appreciation and productivity gains over 25 years. However, interest rate support is minimal and we do not recommend any local market exposure to them.

Egypt is more complicated. The Egyptian pound is 21% overvalued on our model and getting worse by about 5% a year. Yet July has seen renewed interest in Egyptian local currency bonds and the currency has strengthened marginally. We think the CBE is determined to meet its single-digit inflation target for December and is keeping real interest rates high as a result. The CBE focus on this is one reason why we have been Egyptian pound bond bulls since 2016. Meanwhile, recent renewed IMF support and successful eurobond issuance in 2Q20 are also a currency positive, helping to offset a crushing hit to tourism in 2Q20 and 3Q20.

We are moving our forecast for the Egyptian pound, from EGP17/$ to EGP16/$ to end the year, despite C/A deterioration and our assumption that FDI inflows might lessen. We won't be surprised if we end the year at 15.0-15.5/$, assuming there is a change of US president and if the CBE is hawkish on rates, eg, if the policy rate remains at 9.25% or is only cut by 100 bpts in 2H20.

We think Egypt would be better off encouraging gentle Egyptian pound depreciation now, rather than seeing the currency become 25% overvalued or more and then eventually selling off dramatically and pushing inflation higher (even if is just temporary) some years down the line. It is worth keeping an eye on Libya and the Ethiopian dam situations – either of which could trigger portfolio investor outflows in 2H20.

We expect deflationary trends in **Gulf countries** – given low oil prices and their overvalued currencies – rather than any change in pegs. Tax hikes, such as the VAT rise in Saudi Arabia, will only temporarily offset these trends, in our view.

In **Russia**, we assume little change in the currency in 2H20. The C/A surplus and relatively high nominal rates are attractive to local currency bond investors.

Greece's euro could become more competitive relative to its long-term average as a result of deflation.

Pakistan is a little more complicated. The Pakistani rupee has never been cheaper than PKR177/$ in today's money, so while 8% cheap to its long-term average does not look compelling compared to much cheaper Latin American currencies, we think it does look interesting relative to Pakistan's own history. The ex-IMF central bank governor appears to have accepted more currency flexibility, the C/A deficit is improving (helped by oddly strong 51% YoY growth in June remittances), and nominal rates are high by EM standards. We think local yields and Pakistani rupee undervaluation are worth considering.

South Africa (SA) has rallied to what was our end-year target of ZAR16.5/$. As an EM proxy, the rand is vulnerable to a possible escalation of tension between the US and China. GDP figures will be dire after a stringent lockdown that only delayed rather than suppressed the coronavirus surge. The budget deficit is among the highest of the countries we follow. On the positive side, we expect IMF backing for SA and an improved C/A. Inflation has also collapsed in line with the global structural trends we identified in *Thoughts from a Renaissance Man, When yields disappear: 0% EM interest rates*, 18 June 2020. We are strengthening our target to ZAR16.0/$ because the US dollar has weakened earlier than we expected.

Turkey is very cheap, but deservedly so, in our view. We forecast its C/A deficit might worsen from a 1% of GDP surplus in 2019, to a 3% of GDP deficit in 2020. The central bank appears to have little credibility with investors and we think the authorities want a cheap currency to boost growth and are not apparently concerned about meeting their inflation target. The only reason we are not weakening our end-year currency target from TRY6.5/$ to TRY7.0/$ is because the US dollar has weakened earlier than we previously expected.

Frontier investors are having a tough time. EMs are rallying, following the DM lead, and the former still offers enough value that investors are not yet tempted into the less liquid Frontier space. Frontier currencies did not sell off like many EM currencies did, so the V-shaped market recovery isn't happening because there was no fall in, for example, the Bangladeshi taka or Vietnamese dong.

Figure 3: Frontier and CIS REER

	Current FX rate vs $	FX rate implied by LT average REER	FX rate if REER falls to previous lows	Date of REER low	LT average divided by current rate	IMF 2019E C/A (% GDP)	IMF 2020E C/A (% GDP)	Standard deviations away from historical average	Yvonne's avg. REER 9/19 estimate	RenCap YE20 forecast	1Y local currency yields	Latest CPI (% YoY)
Bangladesh	84.8	**120**	152	Dec-06	**1.41**	-2.7	-2.2	2			7.3	6.0
Vietnam	23,185	**31,000**	40,475	Jan-04	**1.34**	4.0	0.7	2			0.5	3.2
Lebanon	1,514	**1,994**	2,552	Apr-08	**1.32**	-20.6	-12.6	2			445.4	56.5
Nigeria	389	**510**	1,179	Apr-95	**1.31**	-3.8	-3.3	1	427	449	2.8	12.4
Kenya	108	**137**	290	Jul-95	**1.27**	-4.5	-4.6	1	142.8	106	7.7	4.6
Lithuania	1.14	**0.92**	0.47	Apr-95	**1.24**	4.3	6.0	1		1.14	-0.2	1.0
Estonia	1.14	**0.92**	0.55	Jan-95	**1.24**	1.7	-2.7	1		1.14	na	-1.0
Jordan	0.71	**0.87**	1.11	Sep-95	**1.23**	-2.8	-5.8	2		0.71	5.8	-0.6
Kuwait	0.31	**0.36**	0.45	Jun-95	**1.18**	8.9	-10.2	1		0.31	2.9	1.9
Romania	4.24	**4.83**	10.3	Feb-97	**1.14**	-4.7	-5.5	0			3.3	2.6
Oman	0.38	**0.42**	0.49	Nov-07	**1.10**	-5.2	-14.2	1			3.3	-0.7
Sri Lanka	186	**199**	253	Feb-04	**1.07**	-2.2	-3.6	0			5.0	3.9
Mauritius	39.9	**42.3**	49.6	Dec-06	**1.06**	-5.8	-8.4	0			1.0	1.7
Ivory Coast	574	**605**	704	Aug-97	**1.05**	-2.7	-3.3	0	595		5.2	2.3
Bahrain	0.38	**0.39**	0.48	Jun-11	**1.04**	-2.9	-9.6	0			2.7	-2.6
Slovenia	1.14	**1.10**	1.01	Aug-97	**1.04**	6.6	0.8	1		1.14	-0.5	-0.3
Serbia	103	**107**	181	Feb-01	**1.04**	-6.9	-6.1	0			na	1.6
Croatia	6.60	**6.80**	7.62	May-00	**1.03**	2.9	-4.0	0			0.0	-0.2
Senegal	574	**591**	652	Nov-00	**1.03**	-9.1	-11.3	0	595		5.5	2.0
Morocco	9.58	**9.57**	10.2	Aug-12	**1.00**	-4.2	-7.8	0	8.2	9.6	1.6	-0.2
Tunisia	2.82	**2.35**	3.38	Feb-19	**0.83**	-8.8	-7.5	-1		3	7.2	5.8
Kazakhstan	413	**339**	434	Jan-16	**0.82**	-3.6	-6.8	-1		405	10.3	7.0
Beyond Frontier												
Moldova	17.1	**25.2**	41.5	Jun-99	**1.47**	-8.9	-8.3	2		17.8	5.5	4.1
Cambodia	4,100	**5,293**	6,713	Dec-04	**1.29**	-12.5	-22.2	2			6.2	2.4
Armenia	484	**567**	902	Mar-95	**1.17**	-8.2	-8.6	0		501	5.5	1.2
Georgia	3.06	**3.08**	5.21	Apr-95	**1.01**	-5.1	-10.5	0		3.1	8.3	2.4
Azerbaijan	1.70	**1.66**	2.26	Feb-04	**0.98**	9.2	-8.2	0		1.85	7.9	2.9
Ukraine	27.3	**26.7**	51.2	Feb-15	**0.98**	-0.7	-2.0	0		28	10.2	2.4
Belarus	2.40	**1.63**	2.76	Oct-11	**0.68**	-1.8	-2.9	-1		2.47	7.4	5.2
Iran (UNO rate)	177,500	**56,230**	129,715	Jun-95	**0.32**	-0.1	-4.1	-1			na	25.0

Kenya's REER dates from 2010 only.
Govt bonds/bills except: Morocco, Kenya, Senegal, Tunisia, Mauritius, Ivory Coast, Georgia, Azerbaijan, Belarus, Moldova; Oman, Bahrain, Jordan (interbank rates); Kazakhstan (12M NDF implied yield)

Source: Bruegel, IMF, Bloomberg, Renaissance Capital

Figure 4: Africa FX REER

	Current FX rate vs $	FX rate implied by LT average REER	FX rate if REER falls to previous lows	Date of REER low	LT average divided by current rate	IMF 2019E C/A (% GDP)	IMF 2020E C/A (% GDP)	Standard deviations away from historical average	Yvonne's avg. REER 9/19 estimate	RenCap YE20 forecast	1Y local currency yields	Latest CPI (% YoY)
C.A. Republic	574	**1,057**	1,551	Dec-99	**1.84**	-4.9	-5.3	2			na	0.4
Ethiopia	35.2	**47.8**	68.2	Jan-04	**1.36**	-5.3	-5.3	1	**42**		na	20.8
Congo (Rep)	574	**775**	1,082	Feb-95	**1.35**	8.4	-1.2	2			na	3.8
Nigeria	389	**510**	1,179	Apr-95	**1.31**	-3.8	-3.3	1	**427**	449	2.8	12.4
Eq. Guinea	574	**734**	1,170	Oct-00	**1.28**	-5.8	-10.4	1			8.0	5.5
Kenya	108	**137**	290	Jul-95	**1.27**	-4.5	-4.6	1	**143**	106	7.7	4.6
Egypt	16.0	**19.3**	29.6	Dec-03	**1.20**	-3.6	-4.3	1	**18.0**	16	13.5	5.6
Botswana	11.5	**13.8**	16.3	Sep-98	**1.19**	-5.2	-2.5	2			na	0.9
Gabon	574	**646**	720	Sep-00	**1.12**	-0.8	-8.4	2			na	0.8
Cameroon	574	**645**	744	Oct-00	**1.12**	-3.7	-5.7	2			3.5	2.4
Chad	574	**612**	774	May-00	**1.07**	-4.9	-12.9	0			6.0	3.2
Mauritius	39.9	**42.3**	49.6	Dec-06	**1.06**	-5.8	-8.4	0			1.0	1.7
Ivory Coast	574	**605**	704	Aug-97	**1.05**	-2.7	-3.3	0	**595**		5.2	2.3
Senegal	574	**591**	652	Nov-00	**1.03**	-9.1	-11.3	0	**595**		5.5	2.0
Tanzania	2,316	**2,361**	2,959	Dec-93	**1.02**	-3.2	-3.8	0	**2,464**	2,393	4.2	3.2
Morocco	9.58	**9.57**	10.2	Aug-12	**1.00**	-4.2	-7.8	0	**8**	10	1.6	-0.2
Uganda	3,693	**3,626**	4,602	Aug-11	**0.98**	-9.5	-9.7	0	**3,496**		12.3	4.1
Rwanda	953	**923**	1,226	Dec-03	**0.97**	-9.2	-16.2	0	**929**	1,000	8.1	10.3
Mozambique	70.4	**66.3**	97.9	Sep-16	**0.94**	-42.2	-68.8	0			10.4	3.0
Algeria	128	**120**	140	Apr-08	**0.94**	-9.6	-18.3	0			na	1.6
DR Congo	1,958	**1,822**	2,474	Jan-10	**0.93**	-4.2	-5.4	0	**1,862**		na	3.8
Namibia	16.6	**15.5**	20.8	Dec-01	**0.93**	-2.3	-0.4	0			4.5	2.1
Zambia	18.3	**16.4**	30.0	Jul-95	**0.90**	1.0	-2.0	0	**13**	23	26.5	15.9
South Africa	16.6	**13.9**	20.7	Dec-01	**0.84**	-3.0	0.2	-1	**13**	16	4.2	2.1
Angola	572	**477**	1,684	Oct-99	**0.84**	2.9	-6.7	0	**462**	550	17.5	1.7
Tunisia	2.82	**2.35**	3.38	Feb-19	**0.83**	-8.8	-7.5	-1		3.0	7.2	5.8
Ghana	5.75	**4.69**	8.52	Aug-14	**0.82**	-2.7	-4.5	0	**4.67**	6.14	17.9	15.9

Note: Auction yields except: Egypt, Nigeria, Uganda, South Africa

Source: Bruegel, IMF, Bloomberg, Renaissance Capital

In our opinion, the biggest problem for investors in **Nigeria** is again the FX regime. To my surprise, the Central Bank of Nigeria (CBN) has neither supplied sufficient liquidity to the FX window for portfolio investors to meet demand, nor allowed that window to express the rate that supply and demand would imply without CBN liquidity injections. I'm left wondering what is the point in having the window at all. The CBN is currently following the 2015-2017 playbook, which led to a shallow initial recession but a weak economic recovery that ensured per capita GDP fell in every year since 2014. Officials keep saying there will be a convergence in FX rates. We have seen the official rate move from around NGN305/$ to NGN360/$, but full convergence has not happened yet, and so there is no fully representative FX rate in the country.

The Bureau de Change (BDC) rate is NGN468/$, but this is illiquid. Double-digit inflation tells us the naira needs to weaken by nearly 10% each year to avoid further overvaluation. Our London-based REER model now says fair value for the naira is NGN510/$. Yet that is probably too strong. SSA's other big oil exporter, Angola, has a currency that is 17% cheap to its long-term average while Kazakhstan's currency is 18% cheap to its long-term fair value, both based on our London REER model. If Nigeria had similar undervaluation, the naira would be around NGN600/$. That is pretty irrelevant given the CBN's policy preferences. We think the maira will end the year at 449/$, a forecast that partly reflects Yvonne Mhango's REER model, which sees "fair value" at NGN427/$ as it covers 2004-2020 and has the advantage of arguably better CPI data but a higher oil price of $82.

Kenya's shilling is also overvalued, according to our model, by about 30% now, but at least low oil prices benefit Kenya's C/A, unlike Nigeria, Angola or Kazakhstan. As in

Egypt, IMF support helps the currency for now. We think African-focused equity investors need to be in Kenya given the problems in Nigeria. We expect currency stability in 2H20.

Ethiopia's birr is about 36% overvalued according to this latest update of our London-based REER model, and inflation at 21% YoY is making this worse by nearly 2% every month. The IMF agreement with Ethiopia hinted at greater FX flexibility when it was unveiled in 2019, but so far there has been little progress on that front.

Investors in African equities profit from Senegal and Ivory Coast's currency peg to the euro when the US dollar weakens. The difficulty currently is the uncertainty surrounding the October presidential election in the Ivory Coast, while Senegal's high growth expectations have been dashed by delays to energy investment projects.

Zambia's currency has been greatly undermined by both double-digit inflation and the forthcoming eurobond default. Currency weakness is the easiest way to help the C/A, in our view. The only ray of sunshine is the recent jump in copper prices.

We do not include **Zimbabwe** in this chart of African currencies because its currency policies in the past few years have been so chaotic.

There are cheap Africa currencies including Tunisia's dinar and Ghana's cedi but the rand is only 1-2% less cheap, and far more liquid, so for us it becomes the obvious way for investors to play Africa if they wish to.

Having said that, **Ghana** also has the appeal of 18% one-year interest rates (foreigners are restricted to two years and beyond). Our main uncertainty regarding Ghana is the presidential election at the end of the year. The government wisely dropped lockdown in May, because it is the economic hit from the coronavirus rather than the lives lost, that seem to hurt the ruling party's popularity. We think investors are hoping the incumbents win, rather than the opposition party, which did so much damage to the economy and exchange rate over 2012-2016, and whose relations with the IMF and World Bank were far from ideal. My guess, based on no opinion poll data, is that the incumbents will win but that is a view held with low confidence.

We do not have a strong view on **Tunisia**. Yes, tourism may benefit form the EU travel ban being lifted while it remains in place for Egypt, Turkey and might get re-imposed on Morocco. But the C/A deficit remains problematic, and while an IMF deal is expected in a few months, it is not there yet.

We assume no significant change in the currencies of **Morocco** or **Mauritius**.

For the countries close to Russia's borders, we have in recent months strengthened our end-2020 views for Georgia and Kazakhstan and expect further modest appreciation in 2021. These forecasts are courtesy of Sofya Donets and Andrei Melaschenko.

Figure 5: Currencies of the CIS/former Soviet Union – end-year (in bold) and average

	2020 eop	2021 eop	2020 aop	2021 aop
USDRUB	73.6	76.1	73.5	75.2
USDKZT	405	394	401	395
USDGEL	3.10	2.90	3.06	2.95
USDUAH	28.0	28.6	26.9	28.3
USDBYN	2.47	2.57	2.50	2.55
USDAZN	1.85	1.85	1.75	1.85
USDMDL	17.8	18.6	17.7	18.3
USDAMD	501	510	495	505
USDUZS	10,200	10,700	9,970	10,500
USDTJS	10.3	10.6	10.1	10.5

Source: Renaissance Capital estimates

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