

# Here's the Latest Bet From the Central Bank That Outsmarted Soros

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Kazakhstan's central bank, which exited its investment in the pound before Britain's surprise vote to leave the European Union a year ago, is growing more upbeat about the U.K. currency while taking a dimmer view of the euro and the yen.

Governor Daniyar Akishev said in an interview that the National Bank of Kazakhstan has cut the allocation in its \$30.4 billion stockpile for the currencies of Japan and the euro area in favor of the dollar. No decision has been made about the pound, but Akishev said his personal view is that it has "significant potential for growth in the future."



Daniyar Akishev Photographer: Andrey Rudakov/Bloomberg

The former Soviet republic's central bank made a prescient call to sell pounds a day before the referendum results were announced in the U.K. George Soros, who famously broke the Bank of England in 1992, netting a profit of \$1 billion, didn't repeat that wager in the historic Brexit vote, according to a spokesman.

Akishev, who also oversees Kazakhstan's \$62.7 billion oil fund, is now turning his attention to U.S. assets as investors hunt for yield in an era of low interest rates. Five-year government bonds in Germany and France, the biggest economies in Europe's currency union, and in Japan are carrying negative yields. That compares with positive rates of about 0.4 percent in the U.K. and 1.7 percent in the U.S. for similar maturities.

"We are constantly taking losses on the euro and the Japanese yen because of negative rates," Akishev said in Almaty. "We are keeping this portfolio, but we've redistributed some of the shares and slightly increased the allocation into dollars."

When it comes to its \$22 billion pension fund, the central bank is looking at increasing returns by building exposure to emerging markets via index investments, according to Akishev.

In an interview last July, the governor wouldn't say how much the bank held in pounds, only that 10 percent of the fixed-income securities in the country's

reserves were denominated in sterling. Soros was “long” the pound before Britain’s vote to leave the EU, his spokesman said at the time.

Britain is still in the grip of political turmoil after Prime Minister Theresa May lost her parliamentary majority in an election last week. The pound dropped on voting day and has stayed down as the prolonged lack of clarity keeps currency traders on edge.

“In the current conditions, it’s clear there’s a lot of political uncertainty now in the U.K.,” Akishev said. But the outlook is strong for the pound, “considering the potential of the British economy.”