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Fuel Shortages in Russia: Risks for Kazakhstan's Wheat Market and Diesel Fuel Balance



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Fuel Shortages in Russia: Risks for Kazakhstan's Wheat Market and Diesel Fuel Balance

Russia's fuel shortage has coincided with the renewed conflict between the United States and Iran. For the grain market, this creates two distinct risks. Lower refinery throughput in Russia limits the physical availability of diesel fuel during the harvest season. At the same time, disruptions to shipping through the Strait of Hormuz increase the cost of crude oil, freight, marine insurance, and fertilizers.

A strong wheat harvest in southern Russia and robust June export volumes continue to support grain supply. Therefore, the immediate risk is not the overall volume of wheat available, but rather the pace of harvesting, crop quality, and rising export costs. A more pronounced price premium is likely to emerge during the second half of the marketing season.

For Kazakhstan, the overall impact is mixed. Higher oil prices support export revenues, government budget receipts, and the tenge. However, more expensive diesel fuel, reduced imports from Russia, and higher fertilizer costs increase production expenses for agricultural producers. The key domestic challenge will be the scheduled maintenance shutdown of the Pavlodar Oil Refinery from 18 September to 17 October, which coincides with the peak harvesting period in Kazakhstan's northern grain-producing regions.

Fuel shortages are becoming a regional issue. Uzbekistan has experienced shortages of certain fuel products, higher fuel prices, and a sharp increase in imports, while Kyrgyzstan remains the most dependent market in Central Asia on Russian fuel supplies, importing more than 90% of its gasoline from Russia. At the same time, the debt market has not yet priced these supply disruptions as a significant sovereign risk: Kyrgyzstan's inaugural Eurobond continues to trade at a yield below its issuance level, with no meaningful widening of credit spreads.

Key Indicators

Russian crude oil refinery throughput averaged approximately 4.1 million barrels per day in June, according to Kpler's preliminary estimate. In May, OilX estimated refinery throughput at 4.58 million barrels per day, the lowest level since October 2009. Exchange-traded summer diesel prices reached RUB 77,180 per tonne on 15 June before declining to RUB 73,500 per tonne by the end of the month. The average retail diesel price rose to RUB 84.84 per litre as of 29 June.

Forecasts for Russia's wheat harvest range between 88 and 91.5 million tonnes. Exports of major grain crops totaled 2.9 million tonnes in June, including 2.5 million tonnes of wheat. The Black Sea FOB Wheat Index stood at USD 240.5 per tonne on 3 July.

Following the resumption of U.S. strikes against Iran, Brent crude rose by more than 5%, exceeding USD 78 per barrel. Several oil and LNG tankers either avoided transiting the Strait of Hormuz or were forced to alter course. The threat to maritime shipping was assessed as high.

China authorized an increase in July exports of gasoline, diesel, and jet fuel to approximately 3 million tonnes. Diesel exports alone are expected to reach 600,000–700,000 tonnes, compared with the initial plan of approximately 200,000 tonnes.

As of 1 June, Kazakhstan held 6.9 million tonnes of wheat stocks, including 6.2 million tonnes of food-grade wheat. For the spring fieldwork campaign, the government allocated 402,000 tonnes of diesel fuel to agricultural producers.

During January–May, Uzbekistan imported 642 million litres of gasoline worth USD 373 million, representing an 84% year-on-year increase. Domestic gasoline production totaled 502.2 thousand tonnes (approximately 670–678 million litres). Imports accounted for nearly half of the country's total gasoline supply.

1. A New Escalation of the Conflict Changes the Baseline Scenario

On 7–8 July, the United States launched new strikes against Iran following attacks on commercial vessels near the Strait of Hormuz. U.S. military officials reported strikes on more than 80 targets, including coastal radar installations, anti-ship missile systems, and naval patrol craft. Iran responded with attacks on U.S. facilities in Bahrain and Kuwait.

U.S. President Donald Trump stated that the interim understanding with Iran had come to an end, although the possibility of further negotiations formally remains. The United States also reinstated restrictions on Iranian oil exports.

These developments invalidate the previous assumption of a gradual normalization in freight rates and marine insurance costs. Even without a complete closure of the Strait of Hormuz, shipowners are expected to continue pricing in the risks of vessel damage, delays, and renewed disruptions to maritime traffic.

It is also important to distinguish between crude oil and refined petroleum products. The Strait of Hormuz primarily represents a risk to supplies of crude oil, LNG, and fertilizers, whereas Russia's refining crisis has a greater impact on the availability of gasoline, diesel fuel, and jet fuel. If Brent crude prices rise sharply, the diesel crack spread may narrow even if diesel prices continue to increase in absolute terms.

Therefore, a long diesel crack spread position is not a pure proxy for the conflict with Iran. The Russian shortage of refined petroleum products and the geopolitical risks surrounding the Strait of Hormuz are better expressed through separate market exposures.

2. Fuel Shortages in Russia

The fuel crisis, which began after attacks on Russian refineries in August 2025, had evolved into a persistent shortage of refined petroleum products by the summer of 2026. Refinery throughput averaged 4.58 million barrels per day in May and approximately 4.1 million barrels per day in June. On several days, processing volumes fell below 4 million barrels per day.

Kpler expects refinery throughput to recover by 7–22% over the next three months. However, industry sources suggest that July refinery runs may remain close to 4 million barrels per day.

Gasoline production in June was estimated at 85,000–90,000 tonnes per day, approximately 25% lower year-on-year, compared with peak summer demand of at least 110,000 tonnes per day. Exchange-traded sales of both gasoline and diesel declined, while delivery delays in the wholesale market extended to one to two months.

Russia has begun importing gasoline by sea from India. At least 60,000 tonnes have already been shipped, while two additional tankers were transporting cargoes of 30,000–40,000 tonnes each. Even imports of up to 400,000 tonnes per month would cover only a limited share of peak summer demand and cannot substitute for the restoration of domestic refining capacity.

Supplies from Belarus are likewise insufficient to resolve the shortage. Belarus produces approximately 3–3.5 million tonnes of gasoline annually, equivalent to only 8–9% of Russia's domestic gasoline consumption. Import prices are significantly higher than domestic exchange prices, meaning that large-scale substitution would require government subsidies, tax incentives, or higher retail fuel prices.

A full ban on gasoline exports remains in force until 31 July, while exports of jet fuel are prohibited until 30 November. Deliveries under intergovernmental agreements are exempt from these restrictions. Diesel exports remain permitted for domestic producers, although the Russian authorities are considering a complete export ban.

The temporary relaxation of certain fuel quality standards increases the physical availability of fuel but may also raise maintenance and operating costs for modern agricultural machinery and commercial vehicle fleets.

3. How Diesel Shortages Affect Russian Wheat Production

Agriculture is most sensitive to fuel availability during the planting and harvesting seasons. Demand for diesel fuel typically peaks between July and September. While the spring planting campaign was disrupted by cold weather and heavy rainfall, the principal risk for the harvest season is the availability of diesel fuel in the wholesale distribution market.

As of 1 June, the area sown with spring grains and pulses (excluding the newly annexed territories) totaled 20.5 million hectares, 11.3% lower year-on-year. In contrast, the area planted with sunflower increased by 4.8% to 8.9 million hectares. This suggests that oilseed crops have become relatively more attractive in the current season, although a single year is insufficient to confirm a lasting structural shift.

Higher fuel prices at independent filling stations and delays in diesel deliveries could slow the pace of harvesting. A delayed harvest increases the risk of adverse weather, deterioration in grain test weight, and a larger share of feed-grade wheat. Consequently, even if total wheat production remains unchanged, prices for food-grade wheat may increase due to a decline in its relative share of the crop.

Wheat production forecasts remain strong. The USDA estimates Russia's wheat harvest at 88 million tonnes (excluding Crimea and the newly annexed territories), SovEcon forecasts 88.9 million tonnes, while IKAR projects 91.5 million tonnes. Wheat production in Russia's southern export regions is expected to reach 37.4–38.0 million tonnes, compared with 31.0–31.9 million tonnes a year earlier.

Southern Russia accounts for approximately 70–75% of the country's wheat exports. Therefore, a strong harvest in Krasnodar Krai, Stavropol Krai, Rostov Region, and other southern producing regions significantly reduces the risk of a physical wheat shortage during the early part of the export season.

SovEcon estimates Russian wheat exports at 46.8 million tonnes in the 2025/26 marketing year and forecasts 46.3 million tonnes for 2026/27. IKAR expects exports in the new season to reach 47.5 million tonnes.

The principal risk is therefore not a sharp decline in export volumes, but rather slower grain marketing, a higher minimum selling price required by producers, and deterioration in grain quality.

4. The Strait of Hormuz Adds Fertilizer Supply Risks

A substantial share of global trade in urea and sulfur—both essential inputs for phosphate fertilizer production—passes through the Strait of Hormuz. The renewed escalation of the conflict increases the likelihood of disruptions to supplies of urea, ammonia, sulfur, and phosphate fertilizers.

For the 2026 wheat harvest, the primary transmission channel remains fuel availability, as most expenditures on planting and fertilizer application have already been incurred. However, fertilizer availability and pricing will become significantly more important for winter wheat planting and the 2027 harvest.

The current shock therefore has different time horizons. Diesel shortages primarily affect the 2026 harvest campaign, while higher fertilizer prices and reduced availability weaken the economics of agricultural production in the following season.

Russian fertilizer producers may partially offset reduced exports from Gulf countries. However,

their ability to rapidly expand export volumes is constrained by production capacity utilization, logistical limitations, and strong domestic demand.

5. The Global and Black Sea Wheat Market

As of 7 July, the OTC FOB Wheat Index for the deep-water Black Sea ports had declined by 4.12% to USD 230.6 per tonne, down from USD 240.5 the previous day. The index fell below both the June low of USD 231.4 per tonne, the June average of USD 233.7 per tonne (down 1.3%), and the June high of USD 237.7 per tonne (down 3.0%).

A strong harvest in southern Russia and robust export shipments continue to support wheat supply. Russia exported 2.9 million tonnes of major grain crops in June—twice the volume recorded a year earlier—including 2.5 million tonnes of wheat. As a result, upward pressure on wheat prices is expected to remain limited through July and the first half of August.

The greater price risk lies in the second half of the marketing season. If diesel shortages slow harvesting, reduce grain quality, or discourage farmers from selling at prevailing prices, wheat quotations could rise into the USD 250–260 per tonne range by December 2026 or early 2027.

Ukraine remains an additional source of uncertainty. Further attacks on ports and commercial vessels could reduce monthly grain exports from approximately 6 million tonnes to around 4 million tonnes. Carryover stocks of wheat and corn are estimated at 9–9.5 million tonnes, compared with 7 million tonnes a year earlier; however, their export potential depends on the uninterrupted operation of Black Sea ports.

Renewed tensions surrounding the Strait of Hormuz are also increasing procurement costs for grain importers across the Middle East and North Africa (MENA). Countries in the region are simultaneously facing higher grain prices, more expensive fuel, increased shipping insurance costs, and tighter foreign currency liquidity. While this may reduce the size of some import tenders, it is also likely to increase the premium paid for reliable and prompt delivery.

6. China Partially Eases the Shortage of Refined Petroleum Products

China has temporarily lifted restrictions on refined petroleum product exports through the end of July and has authorized the privately owned refinery Zhejiang Petrochemical to resume exports following a four-month suspension.

Total exports of gasoline, diesel fuel, and jet fuel in July may reach approximately 3 million tonnes. Gasoline exports are expected to exceed 400,000 tonnes, diesel exports are projected at 600,000–700,000 tonnes, while jet fuel exports may total around 1.9 million tonnes.

These additional export volumes represent an important counterbalance to Russia's refined fuel shortage. Chinese supplies could ease regional fuel prices across East and Southeast Asia, while allowing other exporters to redirect part of their production to alternative markets.

For Central Asia, however, the impact is expected to remain limited due to the high cost of rail and maritime transportation. Moreover, the current policy applies only through July, with no assurance that the temporary export relaxation will be extended into August.

7. Kazakhstan: The Grain Market Channel

Kazakhstan enters the new season with substantial carryover grain inventories following the 2025 harvest, when the country produced 27.1 million tonnes of grain, including 20.3 million tonnes of wheat.

The Kazakhstan Grain Union has raised its forecast for combined exports of wheat, wheat flour, and feed flour during the 2025/26 marketing year to 13.4 million tonnes (grain equivalent). During September–May, exports reached 12.2 million tonnes, representing a 13% year-on-year increase.

As of 1 June, Kazakhstan held 6.9 million tonnes of wheat stocks, including 6.2 million tonnes of

food-grade wheat. A significant share of these inventories is expected to be consumed domestically or exported before the arrival of the new harvest.

Forecasts for the 2026/27 season differ considerably. The USDA Foreign Agricultural Service (FAS) Office in Astana projects a wheat harvest of 14 million tonnes and exports of 7.5 million tonnes, while the International Grains Council (IGC) forecasts production at 15.3 million tonnes and exports of 9.1 million tonnes.

An increase in global wheat prices to USD 250–256 per tonne would represent a gain of approximately USD 9.5–15.5 per tonne relative to the 3 July price level. For 8 million tonnes of wheat exports, this would translate into an additional USD 76–124 million in gross export revenue. Based on the broader export forecast of 13.4 million tonnes in grain equivalent, the theoretical upper estimate rises to USD 127–208 million. However, wheat flour and grain cannot be valued using the same FOB wheat quotation, so these figures should be interpreted as indicative rather than directly comparable.

The primary impact will be reflected in the new harvest, as a substantial portion of existing carryover stocks has already been sold or contracted at earlier price levels.

Rising production costs for Russian producers are reducing their pricing advantage in Uzbekistan, Tajikistan, and Afghanistan. This improves the relative competitiveness of Kazakh wheat in these export markets. However, the potential benefit may be constrained by higher fuel costs, elevated railway freight tariffs, and limited transportation corridor capacity.

8. Kazakhstan: The Fuel Supply Channel

The average retail price of diesel fuel in Russia has approached RUB 85 per litre, while diesel in Kazakhstan currently sells for approximately KZT 330–345 per litre. This widening price differential increases incentives for the illegal cross-border export of fuel.

From 21 May to 21 November, Kazakhstan imposed a ban on the road export of gasoline and diesel fuel, including shipments to other EAEU member states. The Ministry of Energy has also proposed extending these restrictions for an additional six months.

Russia is negotiating with Kazakhstan regarding the supply of approximately 50,000 tonnes of AI-92 gasoline. Kazakhstan's Ministry of Energy has stated that no final decision has been made and that any deliveries would take place strictly on a commercial basis following an official request.

A volume of 50,000 tonnes represents less than 1% of Kazakhstan's annual gasoline production and approximately three days of domestic consumption. By itself, such a shipment would not materially affect the national fuel balance. However, deliveries during refinery maintenance periods and amid regional fuel shortages would increase the importance of maintaining adequate strategic inventories.

For the spring fieldwork campaign, agricultural producers were allocated 402,000 tonnes of diesel fuel at a regulated price not exceeding KZT 281 per litre, approximately 15% below prevailing market prices. This allocation covered the period from February through June and does not extend to the autumn harvest season.

Scheduled maintenance at the Atyrau Oil Refinery is taking place between 26 June and 15 July. Major maintenance at the Pavlodar Oil Refinery is scheduled from 18 September to 17 October. The partial shutdown of the Pavlodar refinery coincides with the peak grain harvest in North Kazakhstan, Kostanay, and Akmola regions.

The resilience of Kazakhstan's fuel balance during the harvest season will depend on three key factors:

- the volume of diesel inventories accumulated by mid-September;

- the government's autumn diesel allocation program for agricultural producers;
- the actual volume of fuel deliveries from Russia.

Under the 2026 indicative fuel balance, Kazakhstan may import up to 450,000 tonnes of diesel fuel and 300,000 tonnes of jet fuel from Russia. Although no formal restrictions apply to intergovernmental fuel deliveries, actual supply volumes will depend on Russian refinery utilization rates and domestic fuel demand within Russia.

Imports from China or other countries are technically feasible but would require longer and more expensive logistics. While China's temporary increase in refined product exports improves the availability of alternative supplies, it does not guarantee that these volumes can reach Kazakhstan in time for the harvest campaign.

9. Uzbekistan: Imports Now Cover Nearly Half of the Domestic Fuel Market

Uzbekistan has its own refining capacity, including the Bukhara and Fergana oil refineries, the Altyaryk refining facility, and the Uzbekistan GTL complex. Nevertheless, growing domestic demand and changes in fuel consumption patterns have increased the country's dependence on imports.

During January–May 2026, Uzbekistan imported 642 million litres of gasoline worth USD 373 million. Import volumes increased by 84% year-on-year, while import value rose by 85%. Domestic gasoline production totaled 502.2 thousand tonnes, equivalent to approximately 670–678 million litres. As a result, imports accounted for nearly half of the country's total gasoline supply.

This growing dependence is driven not only by rising overall demand. Uzbekistan is gradually phasing out AI-80 gasoline for environmental reasons, while consumer demand is shifting rapidly toward AI-92 and AI-95 gasoline. Domestic refining capacity has been slower to adjust its production mix accordingly.

By the end of June, the exchange price of AI-92 gasoline reached a record high of UZS 13.919 million per tonne. Since the beginning of the month, gasoline prices had increased by 11–12%. At the same time, exchange-traded supply fell sharply—from as much as 7.7 thousand tonnes during the first half of June to only 1.6–2.4 thousand tonnes during the second half of the month.

The Uzbek government plans to establish a strategic gasoline reserve of 120,000 tonnes to help prevent fuel shortages and sharp price increases during the winter season.

The shortage has also spread to the jet fuel market. Beginning on 12 June, Uzbekistan Airways reduced the frequency of certain flights between Uzbekistan and Russia because of fuel shortages and higher fuel costs. The schedule changes affected selected services to Moscow and St. Petersburg.

According to government estimates, total petroleum product inventories are sufficient to cover approximately two to three months of demand. However, aggregate inventory figures do not reflect the distribution of individual fuel grades and therefore do not eliminate the risk of localized shortages of AI-92 gasoline, jet fuel, or diesel fuel.

For Kazakhstan, fuel shortages in Uzbekistan create additional external demand. Uzbekistan may increase purchases of gasoline, diesel fuel, jet fuel, crude oil, and refinery feedstocks from Russia, Kazakhstan, and Turkmenistan. While this could increase the value of Kazakhstan's fuel inventories, it may also reduce the country's export flexibility during its own harvest season and the scheduled maintenance shutdown of the Pavlodar Oil Refinery.

10. Kyrgyzstan: Fuel Dependence and Sovereign Credit Risk

Kyrgyzstan remains the most dependent major importer of Russian fuel in Central Asia, sourcing more than 90% of its gasoline from Russia. Consequently, reductions in Russian refinery throughput, export restrictions, and delivery delays are transmitted into domestic fuel shortages more rapidly than in Kazakhstan or Uzbekistan.

Kyrgyzstan has appealed to Kazakhstan, Belarus, Azerbaijan, Uzbekistan, Turkmenistan, and Russia for assistance in ensuring stable fuel supplies. Supply disruptions have primarily affected AI-95 gasoline. According to the national fuel industry association, inventories of the more widely used AI-92 gasoline were sufficient for approximately 30–45 days, while diesel fuel remained readily available.

Opportunities to replace Russian fuel supplies are limited. Alternative imports require longer and more costly logistics, and several potential supply routes pass through Kazakhstan and Uzbekistan, where domestic fuel balances are themselves becoming increasingly constrained.

The principal macroeconomic consequences relate to inflation, public finances, and the balance of payments. More expensive fuel increases transportation costs, food prices, and utility expenses. Should the government seek to cap retail fuel prices, part of the energy price shock would be transferred to the state budget.

For the time being, however, financial markets have not priced in a material deterioration in Kyrgyzstan's sovereign credit risk.

Kyrgyzstan's inaugural USD 700 million Eurobond was issued in May 2025 with a five-year maturity, maturing on 3 June 2030, and carries a 7.75% fixed coupon. The issuance represented the first tranche of the country's USD 1.7 billion Global Medium-Term Note (GMTN) Programme.

The bond was issued at 98.986% of face value, implying an initial yield of approximately 8.0%. Investor demand exceeded USD 2.1 billion, more than three times the amount offered. Annual coupon payments amount to USD 54.25 million.

Based on the indicative market quotation used in this report, the bond's yield to maturity was approximately 7.3%, with a Z-spread of 327–335 basis points and a modified duration of approximately 3.3 years. Since issuance, the bond has appreciated in price, reducing its available yield.

In April 2026, Fitch Ratings reaffirmed Kyrgyzstan's 'B' sovereign credit rating with a Stable Outlook. The agency cited moderate fiscal deficits, relatively low public debt, and strong economic growth, while also highlighting the country's dependence on worker remittances, economic ties with Russia, and external financing.

Within the 'B' credit rating category, the Eurobond continues to offer an attractive investment profile. Investors receive a 7.75% U.S. dollar coupon, combined with a relatively short remaining maturity and limited outstanding supply of Kyrgyz sovereign debt.

At present, the fuel shortage alone is insufficient to justify a significant widening of the bond's credit spread. For bondholders, more important considerations remain the fiscal position, foreign exchange reserves, remittance inflows, trade relations with Russia, and continued access to international capital markets.

A prolonged fuel shortage could gradually weaken Kyrgyzstan's credit profile. Higher import costs would increase demand for foreign currency, accelerate inflation, and place additional pressure on public finances. Furthermore, any future bond issuance under the GMTN Programme could temporarily widen the spread on the outstanding Eurobond.

Kyrgyzstan's Eurobond therefore remains primarily a carry trade opportunity for investors willing to assume frontier market risk. It should be viewed as a satellite allocation rather than a core portfolio holding. The investment thesis depends on several key conditions remaining intact: stable foreign exchange reserves, the absence of a sharp deterioration in the fiscal deficit, resilient remittance inflows, and a limited volume of additional sovereign borrowing.

11. Regional Outlook

Central Asia enters the second half of 2026 with differing levels of vulnerability.

Kazakhstan and Uzbekistan possess domestic refining capacity but remain dependent on imports

of certain refined petroleum products and seasonal fuel deliveries. Kyrgyzstan and Tajikistan are significantly more reliant on finished fuel imports from Russia. Turkmenistan has its own hydrocarbon resource base; however, its ability to rapidly expand regional fuel exports is constrained by logistical capacity and existing contractual commitments.

Any Russian decision to ban or significantly reduce intergovernmental fuel supplies would have consequences extending beyond higher fuel prices. Countries across the region would begin competing for the same alternative supplies from China, Azerbaijan, Belarus, and Turkmenistan.

Kazakhstan occupies a unique position as both a potential fuel exporter and a participant in a tightening regional fuel market. Additional exports could generate higher revenues but would also increase the risk of domestic fuel shortages ahead of the Pavlodar Oil Refinery maintenance shutdown and during the autumn grain harvest.

Kyrgyzstan remains the most vulnerable case within the region. The country is almost entirely dependent on Russian fuel supplies while possessing comparatively limited fiscal and foreign exchange resources to absorb higher import costs.

Uzbekistan occupies an intermediate position. Although it has substantial domestic refining capacity, imports now account for nearly half of the country's gasoline market, while shortages of jet fuel have already affected the operations of the national airline.

12. Macroeconomic Impact on Kazakhstan

The current energy shock is not unequivocally negative for Kazakhstan. Higher Brent crude prices increase the U.S. dollar value of oil exports, boost inflows to the National Fund of the Republic of Kazakhstan, and strengthen foreign currency earnings. These factors may partially offset imported inflationary pressures and provide support for the Kazakh tenge.

However, higher oil prices do not necessarily translate into cheaper domestic fuel. Following the gradual liberalization of fuel pricing, domestic prices are increasingly converging toward regional market levels. Additional supply constraints could accelerate this convergence.

In May, producer prices for gasoline were 15.6% higher year-on-year, while diesel prices increased by 11.3%, despite a 2.2% decline in crude oil prices. This demonstrates that Kazakhstan's domestic fuel market is influenced not only by Brent crude prices, but also by refinery utilization, scheduled maintenance, inventory levels, and regional arbitrage opportunities.

On 5 June, the National Bank of Kazakhstan (NBK) reduced its base rate by 100 basis points to 17.0%. Annual inflation reached 10.3% in June, while food inflation stood at 10.4%. Higher costs for fuel, transportation, and fertilizers could further accelerate food price inflation during the fourth quarter of 2026 and the first quarter of 2027.

The oil price channel supports the foreign exchange market but does not eliminate inflation risks. Consequently, the renewed geopolitical conflict is more likely to limit the scope for rapid monetary easing than to require an immediate change in monetary policy.

13. Logistics

Growing grain exports are placing additional pressure on Kazakhstan's railway network. The principal logistical bottlenecks remain export routes to China, Uzbekistan, and Afghanistan, particularly during peak shipping periods.

Grain transportation continues to be unprofitable for Kazakhstan Temir Zholy (KTZ). In 2024, losses from grain transportation totaled KZT 44 billion, while transportation costs were approximately twice the regulated tariff.

Since 27 June, KTZ has applied a 70% discount on domestic rail transportation of socially important food products and wheat destined for flour mills and bakeries. While this measure supports domestic grain processing, it does not resolve shortages of freight wagons and locomotive capacity during the export season.

Higher diesel prices also increase the cost of transporting grain by truck from farms to grain elevators. For smaller agricultural producers, these transportation costs may have a greater financial impact than changes in global FOB wheat prices.

14. Key Catalysts and Timeline

During July, market participants will closely monitor Russia's decision on whether to extend the gasoline export ban beyond 31 July, as well as the potential introduction of restrictions on diesel exports.

On 10 July, the USDA will release its July WASDE (World Agricultural Supply and Demand Estimates) report. The publication could materially revise global estimates for wheat production, inventories, and trade before comprehensive data on the Russian harvest become available.

The National Bank of Kazakhstan will hold its next monetary policy meeting on 24 July. While higher oil prices provide support for the tenge, rising fuel and food costs reduce the room for further monetary easing.

During August and September, the key indicators to monitor will include:

- the pace of harvesting in southern Russia;
- the proportion of food-grade wheat in the crop;
- export price quotations;
- actual Russian refinery throughput.

Before 18 September, Kazakhstan must build adequate diesel inventories ahead of the scheduled maintenance shutdown of the Pavlodar Oil Refinery. The most important variables will be the government's autumn fuel allocation for agriculture, regulated diesel prices for farmers, and the regional distribution of available fuel supplies.

During October and November, procurement tenders by the largest Middle East and North Africa (MENA) grain importers will indicate whether buyers are prepared to pay a premium for Black Sea wheat.

For the regional fuel market, investors should also monitor:

- Uzbekistan's fuel import volumes;
- the size of Uzbekistan's winter strategic fuel reserve;
- Kyrgyzstan's requests for fuel assistance from neighboring countries;
- China's refined petroleum export policy after July.

15. Market Pricing and Investment Positioning

In the near term, wheat prices are likely to remain supported by the strong harvest in southern Russia and elevated export volumes. The principal market risk is concentrated in December deliveries, when diesel shortages could slow harvesting and reduce the share of food-grade wheat.

This investment thesis is better expressed through a long position in MATIF December 2026 wheat futures versus a short position in September 2026 futures. In the physical market, the relevant benchmark remains Russian 12.5% protein FOB wheat. Should supply constraints materialize, a price target of USD 250–260 per tonne appears reasonable. The thesis would be invalidated by a sustained decline in prices below USD 220 per tonne.

For diesel exposure, a calendar spread in ICE Low Sulphur Gasoil futures is preferable to a diesel



crack spread versus Brent crude. Escalation around the Strait of Hormuz could push crude oil prices higher more rapidly than diesel prices, reducing the effectiveness of a crack spread strategy. For agricultural producers, the practical approach would be to secure a portion of September–October diesel requirements before the scheduled maintenance shutdown of the Pavlodar Oil Refinery.

The principal fixed-income opportunity remains Kyrgyzstan's 7.75% sovereign Eurobond maturing in June 2030. With a yield to maturity of approximately 7.3% (USD) and a Z-spread of 327–335 basis points, the bond continues to offer attractive value within the 'B' credit rating category. Fuel shortages have not yet resulted in a meaningful widening of credit spreads, while the bond's high coupon and modified duration of approximately 3.3 years continue to support its carry profile.

The principal risks include higher fuel import costs, increased government subsidies, dependence on Russia, potential secondary sanctions, and additional sovereign issuance under the GMTN Programme. Accordingly, the bond should be viewed as a satellite allocation suitable for investors willing to assume frontier market risk, rather than as a core portfolio holding. The minimum investment denomination is USD 200,000.



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