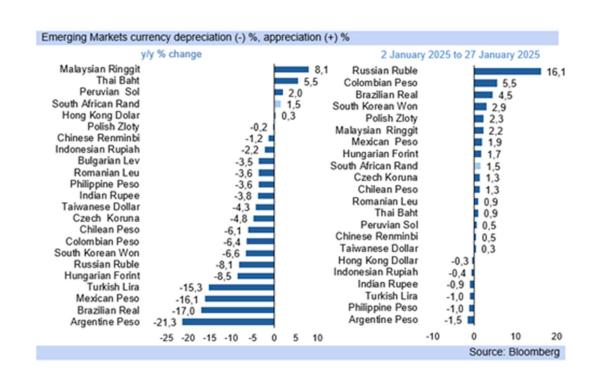
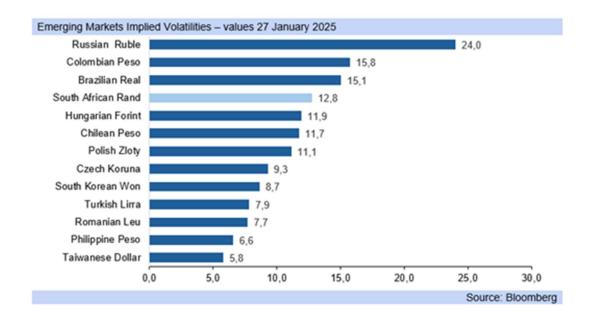
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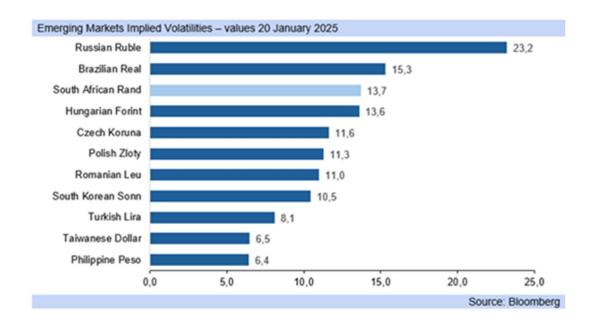


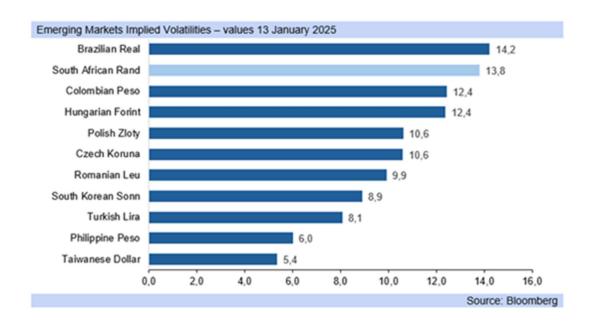
Rand note: continues to gain on US dollar weakness as second US rate cut probability grows

Monday 27 January 2025









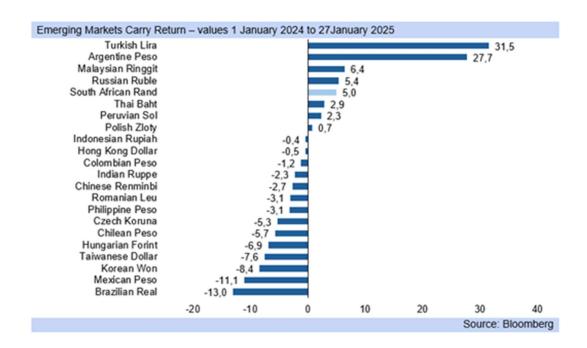
Expected C	ase: Exc	hange R	ate foreca	asts									
Expected 6	2025					20	26		2027				
	Q1.25	Q2.25	Q3.25	Q4.25	Q1.26	Q2.26	Q3.26	Q4.26	Q1.27	Q2.27	Q3.27	Q4.27	
USD/ZAR	18.40	18.10	18.00	17.90	17.70	17.80	17.90	17.80	17.70	17.80	17.90	17.70	
GBP/ZAR	23.00	22.44	22.50	22.73	22.83	23.14	23.27	23.14	23.01	23.14	23.27	23.01	
EUR/ZAR	18.95	18.10	18.18	18.26	18.59	19.05	19.51	19.76	20.00	20.65	20.76	20.53	
ZAR/JPY	8.42	8.73	8.89	8.83	8.76	8.60	8.38	8.15	8.08	7.87	7.65	7.63	
CHFZAR	20.67	20.11	20.00	20.34	19.89	19.78	19.67	19.56	19.45	19.56	19.67	19.45	
AUDZAR	11.78	11.22	11.34	11.46	11.68	12.10	12.35	12.28	12.21	12.28	12.35	12.21	
GBP/USD	1.25	1.24	1.25	1.27	1.29	1.30	1.30	1.30	1.30	1.30	1.30	1.30	
EUR/USD	1.03	1.00	1.01	1.02	1.05	1.07	1.09	1.11	1.13	1.16	1.16	1.16	
USD/JPY	155	158	160	158	155	153	150	145	143	140	137	135	
								Note	averages	s, Source	e: Investe	c, Iress	

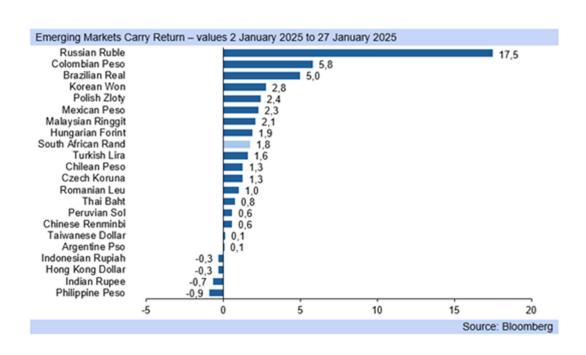
- The rand dropped to R18.30/USD last week, after reaching R19.23/USD early in January and experiencing a strengthening momentum since. The US dollar has seen some pullback, from 1.02 to the euro, to 1.05 most recently.
- With the Trump administration now pushing through a number of changes, and particular focus on the removal of illegal immigrants, tariff threats have largely been directed in this area, and universal, harsh tariffs previously feared have not occurred.
- The rand has consequently subsided, strengthening against both the US dollar, as US dollar strength has waned, and also seeing some gains on its own against the euro and the GBP, as risk-off in global financial markets has reduced.
- The rand is expected to remain volatile, but overall see further strength this year as markets factor out some fears of substantially higher US inflation rates,

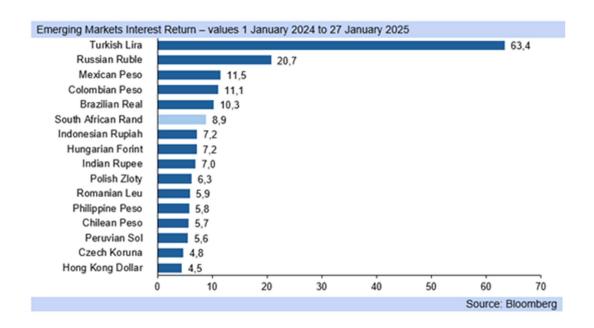
and indeed now have now factored in two definite US interest rate cuts this year.

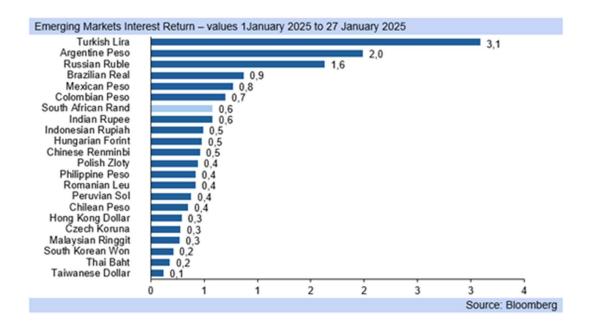
- The most recent inflation figures, for December, in the US have come out at 3.2% excluding food and energy, down from 3.3% y/y in November, and lower than the expectation of 3.3% y/y as well.
- The change in the core PCE price index, the preferred measure of inflation for the FOMC, is due to be published for December at the end of this month, which was at 2.8% y/y in November, and is expected at a similar rate.
- Much will depend on tariff increases applied by the US. Most recently an
 onslaught of tariffs (25% on all imports rising to 50%), along with banking and
 financial sanctions was threatened at Colombia if it did not accept the return of
 deportees.
- In addition, travel bans on Colombian officials and their associates, as well as revoking their visas was part of the US threat towards Colombia, with the US and Colombia then reaching agreement on Sunday for full deportations from the US.
- The US's drive to return illegal immigrants to countries of origin has been supported by threats of very harsh tariff and other economic penalties to other countries as well, while protectionism for US manufacturers is still reportedly under discussion.

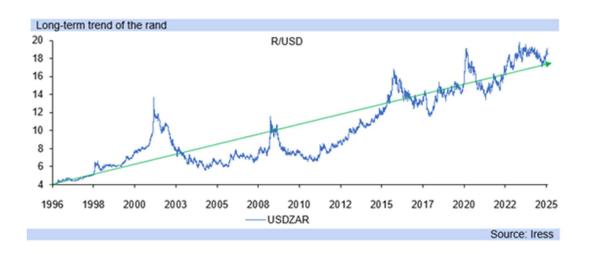
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- With the US Colombia's largest trading partner, the threat of tariff increases, and the other penalties has been paused, not dropped, as Colombia has reportedly accepted all the US's terms, despite initially threatening retaliatory protectionism.
- The prior Trump presidency, of 2017 to 2021 escalated trade wars, particularly between the US and China, as retaliatory tariffs proliferated, although since Covid-19 lockdowns the Chinese economy has seen a marked slowing in growth.
- The US Secretary of State noted "(i)t is the responsibility of each nation to take back their citizens who are illegally present in the United States in a serious and expeditious manner."
- "President Trump has made it clear that under his administration, America will
 no longer be lied to nor taken advantage of. ... we are unwavering in our
 commitment to end illegal immigration and bolster America's border security."
- US Homeland Security adds "(i)mmediately after being sworn in President
 Trump took executive action to stop the invasion at the southern border and to
 empower law enforcement agents to deport criminal aliens".
- The rand has weakened slightly to R18.55/USD, but tends to see volatility over the day, and has been tending to reach new consecutive lows over the second half of January, in the thinner trading hours of early mornings/late evenings.
- The rand is expected to average R18.40/USD this quarter, with US
 protectionism worries seen to be fading from initial concerns that the US
 administration would impose universal tariffs of 10 to 20% or more, and
 greater tariffs on China.
- The Fed funds implied futures have now factored in two US interest rate cuts with 100% probability by the end of this year, one at the 18th June FOMC meeting and the other at the 10th December FOMC meeting.
- However, interest rate expectations are likely to shift further over the course of the year, and the longer the US holds off imposing tariffs, the greater the likelihood will be for a third US interest rate cut this year, and so further rand strength.

	c Scenarios:	Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25	Q4.25		
Extreme	USD/Rand (average)	18.87	18.60	18.00	17.92	17.00	16.00	15.30	14.50		
Up case	Repo rate (end rate)	8.25	8.25	8.00	7.75	7.00	6.75	6.50	6.25		
2%	SA economic growth rises										
2.70	eradicated), strong property	rights no nativ	nalication	or express	iation with	ud compon	sation His	nh husiness	confidence		
	and fixed investment growth										
	domestic inflation on extrem										
	growth, risk-on, commodity										
	quick transition to renewable The Russian/Ukraine war en	e energy, very									
Up case		Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25	Q4.25		
12%	USD/Rand (average)	18.87	18.60	18.00	17.92	17.30	16.60	16.30	15.90		
	Repo rate (end rate)	8.25	8.25	8.00	7.75	7.25	7.00	6.75	6.50		
	Economic growth lifts to arou	nd 4%, rising o	confidence	and invest	ment levels	structural	constraint	s eroded, a	lobal growth		
	strong, global financial marke on favourable weather and	ets risk-on. No	nationalisa	tion or exp	ropriation w	vithout com	pensation	Low dome	stic inflation		
	privatisation. Positive outloo										
	fall substantially. Grey listed	for less than e	eighteen mo	onths. Sub	stantial tran	nsition to re	newable e	energy awa	y from fossil		
	fuel usage, comprehensive r	neasures to al	leviate clim	nate chang	e impact or	economy	. The Russ	sian/Ukrain	e war ends.		
		Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25	Q4.25		
Base	USD/Rand (average)	18.87	18.60	18.00	17.92	18.40	18.10	18.00	17.90		
case	Repo rate (end rate)	8.25	8.25	8.00	7.75	7.50	7.50	7.25	7.00		
50%	Economic growth modest but	t lifts towards :	3.0% y/y ov	ver five year	rs on suffic	ient domes	stic policy :	support me	asures (but		
	still limited somewhat by load shedding, freight constraints), global financial market risk sentiment is neutral to positive.										
	South Africa in the BB credit rating category bracket as fiscal consolidation (debt to GDP stabilisation) occurs leading										
	South Africa in the BB credit	rating catego	ry bracket	as fiscal co	onsolidation	(debt to G	SDP stabili	sation) occ	urs leading		
	to some positive outlooks. Th	e rand stabilis	es and stre	ngthens so	mewhat, in	flation is in	npacted by	the course	of weather		
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		20	25		2026				2027				
	Q1.25	Q2.25	Q3.25	Q4.25	Q1.26	Q2.26	Q3.26	Q4.26	Q1.27	Q2.27	Q3.27	Q4.27	
USD/ZAR	19.00	19.50	19.30	19.00	19.10	18.80	18.70	18.40	18.50	18.50	18.30	18.40	
GBP/ZAR	23.75	24.18	24.13	24.13	24.64	24.44	24.31	23.92	24.05	24.05	23.79	23.92	
EUR/ZAR	19.57	19.50	19.49	19.38	20.06	20.12	20.38	20.42	20.91	21.46	21.23	21.34	
ZAR/JPY	8.16	8.10	8.29	8.32	8.12	8.14	8.02	7.88	7.73	7.57	7.49	7.34	
CHFZAR	21.35	21.67	21.44	21.59	21.46	20.89	20.55	20.22	20.33	20.33	20.11	20.22	
AUDZAR	12.16	12.09	12.16	12.16	12.61	12.78	12.90	12.70	12.77	12.77	12.63	12.70	
GBP/USD	1.25	1.24	1.25	1.27	1.29	1.30	1.30	1.30	1.30	1.30	1.30	1.30	
EUR/USD	1.03	1.00	1.01	1.02	1.05	1.07	1.09	1.11	1.13	1.16	1.16	1.16	
USD/JPY	155	158	160	158	155	153	150	145	143	140	137	135	

		20	ge Rate f			20	26		2027				
	Q1.25	Q2.25	Q3.25	Q4.25	Q1.26	Q2.26	Q3.26	Q4.26	Q1.27	Q2.27	Q3.27	Q4.27	
ISD/ZAR	20.00	20.50	20.70	20.70	20.60	20.40	20.40	20.30	20.40	20.20	20.30	20.40	
BP/ZAR	25.00	25.42	25.88	26.29	26.57	26.52	26.52	26.39	26.52	26.26	26.39	26.52	
UR/ZAR	20.60	20.50	20.91	21.11	21.63	21.83	22.24	22.53	23.05	23.43	23.55	23.66	
AR/JPY	7.75	7.71	7.73	7.63	7.52	7.50	7.35	7.14	7.01	6.93	6.75	6.62	
CHFZAR	22.47	22.78	23.00	23.52	23.15	22.67	22.42	22.31	22.42	22.20	22.31	22.42	
UDZAR	12.80	12.71	13.04	13.25	13.60	13.87	14.08	14.01	14.08	13.94	14.01	14.08	
BP/USD	1.25	1.24	1.25	1.27	1.29	1.30	1.30	1.30	1.30	1.30	1.30	1.30	
UR/USD	1.03	1.00	1.01	1.02	1.05	1.07	1.09	1.11	1.13	1.16	1.16	1.16	
JSD/JPY	155	158	160	158	155	153	150	145	143	140	137	135	

Up Case: E	xchange	Rate for	ecasts										
		20	25			20	26		2027				
	Q1.25	Q2.25	Q3.25	Q4.25	Q1.26	Q2.26	Q3.26	Q4.26	Q1.27	Q2.27	Q3.27	Q4.27	
USD/ZAR	17.30	16.60	16.30	15.90	15.70	15.50	15.30	15.10	14.90	14.75	14.55	14.65	
GBP/ZAR	21.63	20.58	20.38	20.19	20.25	20.15	19.89	19.63	19.37	19.18	18.92	19.05	
EUR/ZAR	17.82	16.60	16.46	16.22	16.49	16.59	16.68	16.76	16.84	17.11	16.88	16.99	
ZAR/JPY	8.96	9.52	9.82	9.94	9.87	9.87	9.80	9.60	9.60	9.49	9.42	9.22	
CHFZAR	19.44	18.44	18.11	18.07	17.64	17.22	16.81	16.59	16.37	16.21	15.99	16.10	
AUDZAR	11.07	10.29	10.27	10.18	10.36	10.54	10.56	10.42	10.28	10.18	10.04	10.11	
GBP/USD	1.25	1.24	1.25	1.27	1.29	1.30	1.30	1.30	1.30	1.30	1.30	1.30	
EUR/USD	1.03	1.00	1.01	1.02	1.05	1.07	1.09	1.11	1.13	1.16	1.16	1.16	
USD/JPY	155	158	160	158	155	153	150	145	143	140	137	135	
								Note	average	s, Source	e: Investe	c, Iress	

Extreme Up	Case: E	xchange	Rate for	ecasts									
		20	25			20	26		2027				
	Q1.25	Q2.25	Q3.25	Q4.25	Q1.26	Q2.26	Q3.26	Q4.26	Q1.27	Q2.27	Q3.27	Q4.27	
USD/ZAR	17.00	16.00	15.30	14.50	14.40	14.10	13.80	13.90	13.70	13.60	13.50	13.20	
GBP/ZAR	21.25	19.84	19.13	18.42	18.58	18.33	17.94	18.07	17.81	17.68	17.55	17.16	
EUR/ZAR	17.51	16.00	15.45	14.79	15.12	15.09	15.04	15.43	15.48	15.78	15.66	15.31	
ZAR/JPY	9.12	9.88	10.46	10.90	10.76	10.85	10.87	10.43	10.44	10.29	10.15	10.23	
CHFZAR	19.10	17.78	17.00	16.48	16.18	15.67	15.16	15.27	15.05	14.95	14.84	14.51	
AUDZAR	10.88	9.92	9.64	9.28	9.50	9.59	9.52	9.59	9.45	9.38	9.32	9.11	
GBP/USD	1.25	1.24	1.25	1.27	1.29	1.30	1.30	1.30	1.30	1.30	1.30	1.30	
EUR/USD	1.03	1.00	1.01	1.02	1.05	1.07	1.09	1.11	1.13	1.16	1.16	1.16	
USD/JPY	155	158	160	158	155	153	150	145	143	140	137	135	
								Note	: average:	s, Source	e: Investe	c, Iress	