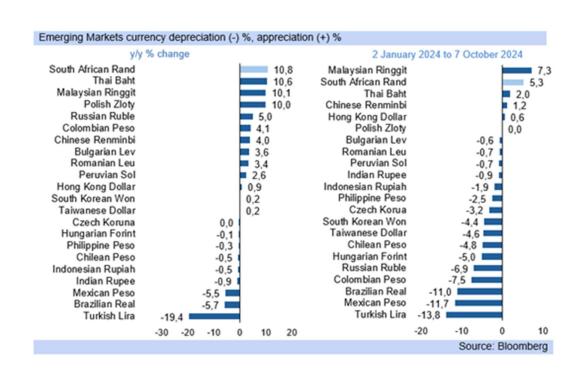
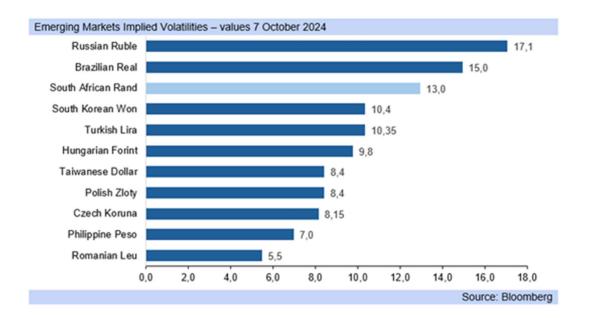
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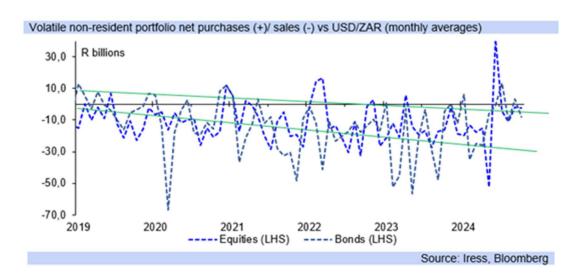


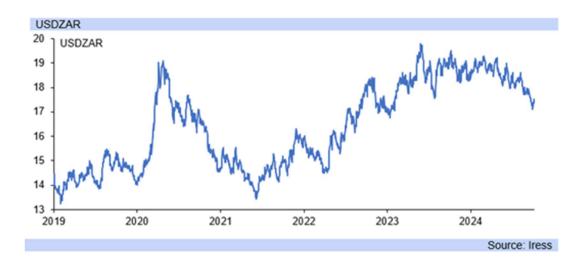
Rand note: rand volatility persists, reflecting investor sentiment

Monday 7 October 2024







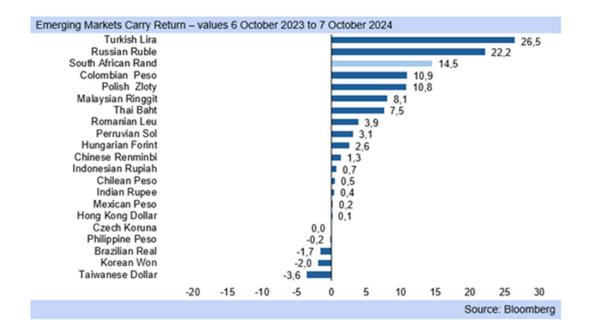


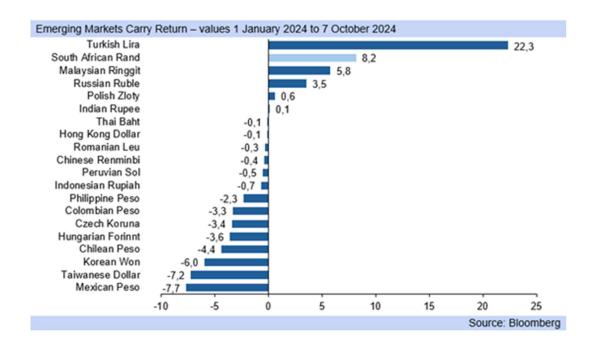
Expected C	ase: Exc	hange R	ate foreca	asts									
	2024					20	25		2026				
	Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25	Q4.25	Q1.26	Q2.26	Q3.26	Q4.26	
USD/ZAR	18.87	18.60	18.00	17.20	17.00	16.90	16.80	16.60	16.30	16.10	15.90	15.70	
GBP/ZAR	23.96	23.44	23.37	22.79	22.61	22.65	22.76	22.66	22.01	21.41	20.67	20.41	
EUR/ZAR	20.57	20.09	19.75	19.09	18.87	18.84	18.90	18.92	18.75	18.52	18.44	18.21	
ZAR/JPY	7.84	8.39	8.30	8.28	8.29	8.22	8.15	8.16	8.28	8.32	8.43	8.34	
CHFZAR	21.69	20.67	20.76	19.99	19.55	19.33	19.19	19.02	18.31	17.89	17.47	17.25	
AUDZAR	12.45	12.28	12.04	11.70	11.56	11.58	11.59	11.54	11.25	11.11	10.97	10.83	
GBP/USD	1.27	1.26	1.30	1.33	1.33	1.34	1.36	1.37	1.35	1.33	1.30	1.30	
EUR/USD	1.09	1.08	1.09	1.11	1.11	1.12	1.13	1.14	1.15	1.15	1.16	1.16	
USD/JPY	148	156	152	143	141	139	137	136	135	134	134	131	
								Note	average	s, Source	e: Investe	ec, Iress	

- After rapid strength post the recent US interest rate cut, the rand has pulled back, trading near R17.40/USD, on an escalation in the war in the Middle-East and the cautious tone sounded by the US Fed Chair on future interest rate cuts.
- The rand has weakened from close to R17.00/USD at the end of September, with the
 US surprise -50bp cut coming in the second half of September. R17.00/USD is a major
 resistance level and will be challenging for the rand to sustainably break through.
- The rand is highly volatile, reflective of investor sentiment, with foreigners showing changing levels of interest in SA's portfolio assets week to week, while the rand has moved to R17.75/USD last week, before slipping below R17.30/USD.
- Volatility is likely to persist for the domestic currency, as it remains influenced by US
 data releases and commentary from monetary policy officials, while the rand has seen
 an underpin of weakness from a deterioration in the country's terms of trade.

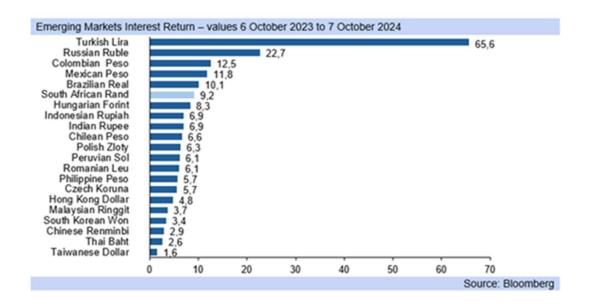
- South Africa's terms of trade (see Trade Outlook note, 4th October, contact details below), had an undermining influence on the rand in Q3.24, but this was overshadowed by positive investor sentiment, and foreign buying of portfolio assets.
- The trade surplus has been weakening too in Q3.24 as exports moderated, with two months trade data available for the third quarter so far. However, the weakening in global manufacturing in September points to a similar weak underpin for the rand.
- In particular, the global PMI reading (J.P.Morgan Global Manufacturing PMI) showed contracting activity in each month for Q3.24, including September, which indicates some trade weakness for SA in the last month of the third quarter as well.
- This underpin of weakness, with global demand unlikely to have turned rapidly around in October, is likely exerting an underpin of weakness on the rand into October, now that investor risk-taking has withdrawn somewhat.
- Investors have become cautious in risk taking after Fed Chair, Jerome Powell, cautioned that the Fed will not likely deliver -50bp cuts at each meeting, which has seen risk assets, including EM currencies such as the rand, pull back somewhat.

Please scroll down to the second section below











- After dipping to US\$71.7/bbl, the Brent crude oil price has risen, to US\$79.6/bbl, which has reduced the likelihood of a substantial petrol price cut for SA next month, as worries over the impact of the Middle-East conflict on oil supply rose.
- In particular, threats of bombing Iranian oil fields have raised concerns, with China a key importer of Iranian oil, and a large global oil importer, which would push up the oil price as demand would increase for remaining global supplies.
- Higher global oil prices are negative for inflation. The lift so far in Brent crude has not
 fully cancelled out a petrol price cut in November, but only a moderate cut, of around
 50c/litre is being signalled now.

- Key for the rand, the US CPI inflation data is due in the week ahead, on Thursday, and the core reading is expected to remain unchanged, at 3.2% y/y. Should a lower outcome occur, this could provide some support for the rand.
- Also key this week is the release of the FOMC minutes, which markets will scrutinise for indications of the pace of the US interest rate cut cycle, although recent Fed comments show smaller (-25bp) cuts are likely going forward.
- "Looking forward, if the economy evolves broadly as expected, policy will move over time toward a more neutral stance. But we are not on any preset course. The risks are two-sided, and we will continue to make our decisions meeting by meeting."
- "As we consider additional policy adjustments, we will carefully assess incoming data, the evolving outlook, and the balance of risks. Overall, the economy is in solid shape; we intend to use our tools to keep it there."
- Market concerns over a delay in US rate cuts and the effect on the economy likely saw
 the Fed deliver a -50bp cut in September to begin the cycle and alay market fears, but
 since has indicated that -50bp cuts cannot be relied on going forward.
- Interest rate cuts in the US will be data dependent, with inflation expected lower. With two more interest rate cuts in the US, of -25bp each, and only one -25bp cut in SA this year this will strengthen the rand (widen the interest rate differential).

	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	16.50	15.50	14.60	14.50	14.40				
Up case	Repo rate (end rate)	8.25	8.25	8.00	7.25	6.75	6.50	6.25	6.00				
2%	SA economic growth rises t	lo 3-5%, ther	5-7%. G	ood govern	nance, gro	wth-creatin	g reforms	(structural	constrai				
	eradicated), strong property												
	and fixed investment growth	, substantial	FDI, fiscal	consolidat	ion drives	debt to lov	v ratios of	2000s. V	ery subdu				
	domestic inflation on extreme	e rand strengt	h, very fav	ourable we	eather cond	litions. Ver	y short gre	y listing. S	trong glo				
	growth, risk-on, commodity I	boom. Rapid	upgrades (of credit ra	tings. Stror	ng transitio	n away fro	om fossil fo	uel usage				
	quick transition to renewable The Russian/Ukraine war en		comprehe	nsive mea	sures to all	eviate clin	nate chang	e impact o	n econor				
Up case	The Russianrokraine war en	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	17.00	16.60	16.30	15.90	15.70				
	Repo rate (end rate)	8.25	8.25	8.00	7.50	7.00	6.75	6.50	6.25				
	Economic growth lifts to arou												
	strong, global financial markets risk-on. No nationalisation or expropriation without compensation. Low domestic inflation on favourable weather and global conditions, rand strength, lower state-controlled price inflation on increased private												
	privatisation. Positive outlook												
	fall substantially. Grey listed												
	fuel usage, comprehensive n												
		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	17.20	17.00	16.90	16.80	16.60				
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	lifts towards	3.0% y/y ov	ver five year	rs on suffic	ient domes	stic policy s	support me	asures (t				
	still limited somewhat by load	shedding, fre	ight constr	aints), glob	al financial	market ris	k sentimer	nt is neutral	to positiv				
	South Africa in the BB credit												
	to some positive outlooks. Th	e rand stabilis	es and stre	nothens so	mewhat in	flation is in	npacted by	the course	A				
	patterns via food price infla												
	patterns via food price infla economy, no nationalisation	tion. Little ex A modest tra	propriation ansition to	without c	ompensation energy ar	on occurs and slow me	and has	no negative from fossil	e effect fuel usa				
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Up Case: E	xchange	Rate for	ecasts										
		20	24			20	25		2026				
	Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25	Q4.25	Q1.26	Q2.26	Q3.26	Q4.26	
USD/ZAR	18.87	18.60	18.00	17.00	16.60	16.30	15.90	15.70	15.50	15.30	15.10	14.90	
GBP/ZAR	23.96	23.44	23.37	22.53	22.08	21.84	21.54	21.43	20.93	20.35	19.63	19.37	
EUR/ZAR	20.57	20.09	19.75	18.87	18.43	18.17	17.89	17.90	17.83	17.60	17.52	17.28	
ZAR/JPY	7.84	8.39	8.30	8.38	8.49	8.53	8.62	8.63	8.71	8.76	8.87	8.79	
CHFZAR	21.69	20.67	20.76	19.76	19.09	18.64	18.16	17.99	17.42	17.00	16.59	16.37	
AUDZAR	12.45	12.28	12.04	11.56	11.29	11.17	10.97	10.91	10.70	10.56	10.42	10.28	
GBP/USD	1.27	1.26	1.30	1.33	1.33	1.34	1.36	1.37	1.35	1.33	1.30	1.30	
EUR/USD	1.09	1.08	1.09	1.11	1.11	1.12	1.13	1.14	1.15	1.15	1.16	1.16	
USD/JPY	148	156	152	143	141	139	137	136	135	134	134	131	
								Note	average	s. Source	e: Investe	c. Iress	

Extreme Up	Case: E			ecasts								
		20	24			20	25			20	26	
	Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25	Q4.25	Q1.26	Q2.26	Q3.26	Q4.26
USD/ZAR	18.87	18.60	18.00	16.50	15.50	14.60	14.50	14.40	14.10	13.80	13.90	13.70
GBP/ZAR	23.96	23.44	23.37	21.86	20.62	19.56	19.65	19.66	19.04	18.35	18.07	17.81
EUR/ZAR	20.57	20.09	19.75	18.32	17.21	16.28	16.31	16.42	16.22	15.87	16.12	15.89
ZAR/JPY	7.84	8.39	8.30	8.64	9.10	9.52	9.45	9.41	9.57	9.71	9.64	9.56
CHFZAR	21.69	20.67	20.76	19.18	17.83	16.70	16.56	16.50	15.84	15.33	15.27	15.05
AUDZAR	12.45	12.28	12.04	11.22	10.54	10.00	10.01	10.01	9.73	9.52	9.59	9.45
GBP/USD	1.27	1.26	1.30	1.33	1.33	1.34	1.36	1.37	1.35	1.33	1.30	1.30
EUR/USD	1.09	1.08	1.09	1.11	1.11	1.12	1.13	1.14	1.15	1.15	1.16	1.16
USD/JPY	148	156	152	143	141	139	137	136	135	134	134	131

	Jase. Ex		late forec	asts		20	25			2026			
		20	24			20	25			20	26		
	Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25	Q4.25	Q1.26	Q2.26	Q3.26	Q4.26	
USD/ZAR	18.87	18.60	18.00	19.70	19.50	19.30	19.00	19.10	18.80	18.70	18.40	18.40	
GBP/ZAR	23.96	23.44	23.37	26.10	25.94	25.86	25.75	26.07	25.38	24.87	23.92	23.92	
EUR/ZAR	20.57	20.09	19.75	21.87	21.65	21.52	21.38	21.77	21.62	21.51	21.34	21.34	
ZAR/JPY	7.84	8.39	8.30	7.23	7.23	7.20	7.21	7.09	7.18	7.17	7.28	7.12	
CHFZAR	21.69	20.67	20.76	22.90	22.43	22.07	21.70	21.88	21.12	20.78	20.22	20.22	
AUDZAR	12.45	12.28	12.04	13.40	13.26	13.22	13.11	13.27	12.97	12.90	12.70	12.70	
GBP/USD	1.27	1.26	1.30	1.33	1.33	1.34	1.36	1.37	1.35	1.33	1.30	1.30	
EUR/USD	1.09	1.08	1.09	1.11	1.11	1.12	1.13	1.14	1.15	1.15	1.16	1.16	
USD/JPY	148	156	152	143	141	139	137	136	135	134	134	131	
								Note: av	erages,	Source:	Investe	c, Iress	

Severe Dov	vn Case:		•	orecasts	5	2025					2022				
		20	24			20	25		2026						
	Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25	Q4.25	Q1.26	Q2.26	Q3.26	Q4.26			
USD/ZAR	18.87	18.60	18.00	20.00	20.50	20.70	20.70	20.60	20.40	20.40	20.30	20.40			
GBP/ZAR	23.96	23.44	23.37	26.50	27.27	27.74	28.05	28.12	27.54	27.13	26.39	26.52			
EUR/ZAR	20.57	20.09	19.75	22.20	22.76	23.08	23.29	23.48	23.46	23.46	23.55	23.66			
ZAR/JPY	7.84	8.39	8.30	7.13	6.88	6.71	6.62	6.58	6.62	6.57	6.60	6.42			
CHFZAR	21.69	20.67	20.76	23.25	23.58	23.67	23.64	23.60	22.92	22.67	22.31	22.42			
AUDZAR	12.45	12.28	12.04	13.60	13.94	14.18	14.28	14.32	14.08	14.08	14.01	14.08			
GBP/USD	1.27	1.26	1.30	1.33	1.33	1.34	1.36	1.37	1.35	1.33	1.30	1.30			
EUR/USD	1.09	1.08	1.09	1.11	1.11	1.12	1.13	1.14	1.15	1.15	1.16	1.16			
USD/JPY	148	156	152	143	141	139	137	136	135	134	134	131			