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**The Rand**

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**Release dates and commentary**

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**Forecasts for inflation rates, interest rates and exchange rates**

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**Figure 1: SA Monetary Policy Committee (MPC) meeting dates for 2018**

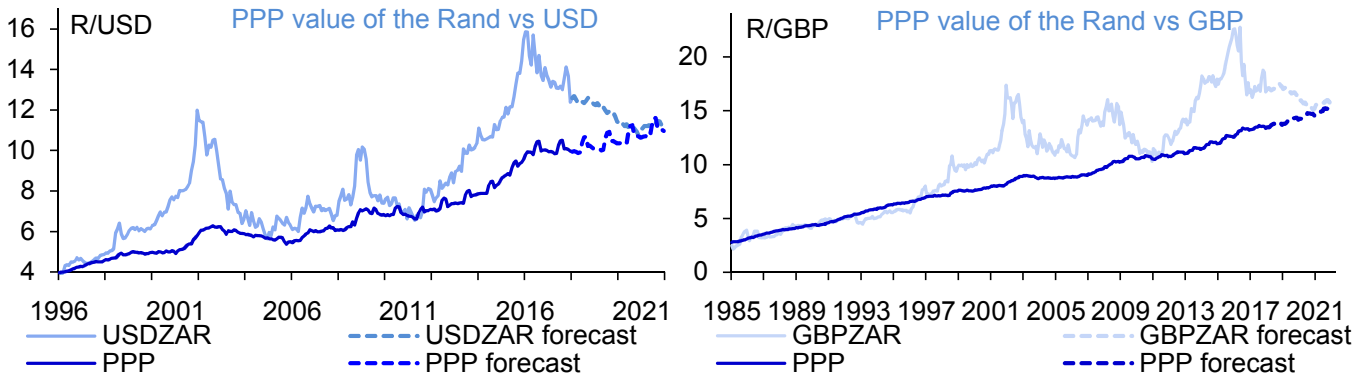
| Month          | Date                                | Forecast |
|----------------|-------------------------------------|----------|
| May 2018       | 22 <sup>nd</sup> – 24 <sup>th</sup> | 6.75     |
| July 2018      | 17 <sup>th</sup> – 19 <sup>th</sup> | 6.75     |
| September 2018 | 18 <sup>th</sup> – 20 <sup>th</sup> | 6.75     |
| November 2018  | 20 <sup>th</sup> – 22 <sup>nd</sup> | 6.75     |

Source: SA Reserve Bank, Investec



**Currency outlook for the week ahead and foreign portfolio flows:**

Figure 2: Purchasing price parity value of the rand

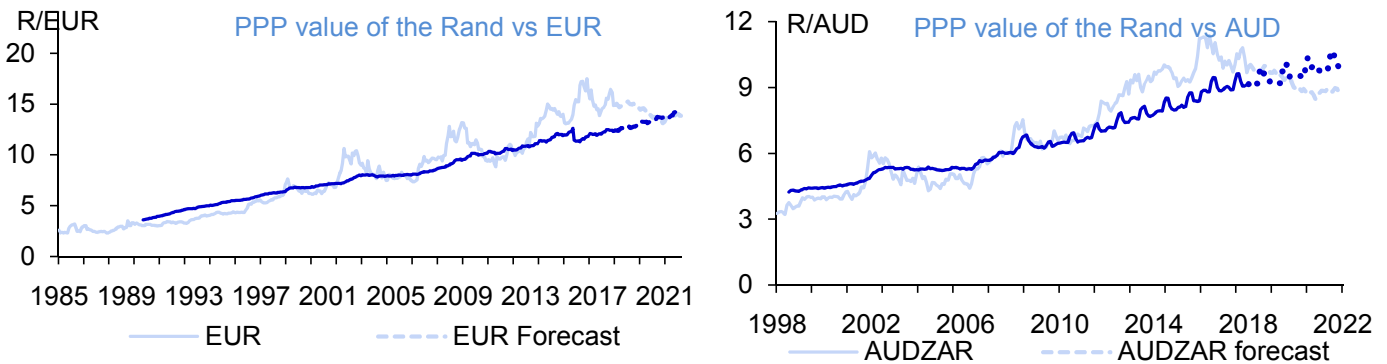


Source: Investec, IRESS

The domestic currency had a dismal week, reaching its lowest level in over three months, primarily on the back of a rally in the international oil price and its effect on US inflation and Treasury yields. The dollar strengthened against most major currencies, with the US dollar index gaining 2.4% over the last two weeks. On the local front, national protest action over wages would have also negatively affected the rand.

This week, the rand is expected to trade in a range of R11.92/USD – R12.92/USD, R14.55/EUR - R15.55/EUR and R16.56/GBP - R17.56GBP.

Figure 3: Purchasing price parity value of the rand



Source: Investec, IRESS



Figure 4: Economic Scenarios

|                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Q1.18 | Q2.18 | Q3.18 | Q4.18 | Q1.19 | Q2.19 | Q3.19 | Q4.19 |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Extreme         | Rand/USD (average)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 11.96 | 10.75 | 10.00 | 9.50  | 9.00  | 8.60  | 7.90  | 7.60  |
| Up case         | Repo rate (end rate)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 6.50  | 6.00  | 5.50  | 5.25  | 5.00  | 5.00  | 5.00  | 4.50  |
| <b>1%</b>       | Fast, sustainable economic growth of 5.0-7.0% y/y plus. SA sees change in political will with growth creating economic reforms in line with global norms that structurally lift private sector investor confidence and so fixed investment. Global growth boom (including commodities), SA export and domestic growth boom lifts employment and incomes to the degree that poverty is eliminated. Fiscal consolidation, credit rating upgrades to A grade ultimately, interest rate cuts.                                                                                    |       |       |       |       |       |       |       |       |
| Up case         | Rand/USD (average)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 11.96 | 11.15 | 10.70 | 10.50 | 10.50 | 10.30 | 10.25 | 10.20 |
| <b>14%</b>      | Repo rate (end rate)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 6.50  | 6.25  | 6.00  | 5.50  | 5.50  | 5.25  | 5.25  | 5.25  |
|                 | Persistent economic growth of 3.0 – 5.0%, with growing probability of extreme up case thereafter. Better governance, growth creating economic reforms in line with global norms (structural constraints are overcome) and greater socio-economic stability. This lifts business confidence and so private sector fixed investment growth rises to double digits, fixed investment inflows occur, resulting in faster GDP growth and fiscal consolidation. Strong global growth and commodity cycle. Stabilisation of credit ratings, with ultimately credit rating upgrades. |       |       |       |       |       |       |       |       |
| Base line       | Rand/USD (average)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 11.96 | 11.70 | 11.70 | 11.60 | 11.55 | 11.40 | 11.45 | 11.45 |
| case <b>50%</b> | Repo rate (end rate)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 6.50  | 6.50  | 6.50  | 6.50  | 6.50  | 6.50  | 6.50  | 6.50  |
|                 | Annual growth rate of 2.0% y/y reached by 2018, 3.5% y/y by 2024. Higher confidence and investment levels than past decade. Rand structurally stronger on political change, quicker return to PPP (by 2020). SA retains one investment grade (Moody's) rating on its local currency long-term sovereign debt this year. Sedate global monetary policy normalisation – avoid severe global risk-off environment, neutral to global risk-on. Modestly strengthening global demand.                                                                                             |       |       |       |       |       |       |       |       |
| Down            | Rand/USD (average)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 11.96 | 13.50 | 14.90 | 15.80 | 16.90 | 17.00 | 16.50 | 15.50 |
| case            | Repo rate (end rate)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 6.50  | 7.00  | 7.50  | 8.00  | 8.50  | 8.50  | 8.50  | 8.50  |
| <b>21%</b>      | Partial loss of private sector property rights (land) under state custodianship without compensation, widescale land grabs. Confidence and investment depressed, marked rand weakness. SA sub-investment grade, increased chance of further credit downgrades. Faster than expected global monetary policy normalisation, global sharp economic slowdown (commodity slump), escalation of US-China trade war, short global financial crisis (SA V shaped recession).                                                                                                         |       |       |       |       |       |       |       |       |
| Extreme         | Rand/USD (average)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 11.96 | 14.50 | 17.00 | 19.00 | 21.00 | 22.80 | 24.00 | 25.50 |
| down            | Repo rate (end rate)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 6.50  | 8.50  | 10.50 | 14.00 | 16.50 | 18.00 | 21.00 | 21.50 |
| case            | Loss of private sector property (assets and land) rights under state custodianship without compensation. Credit ratings drop to junk, sovereign debt default (restructure), state bankruptcy - a failed state. Partial to no payment of public sector employees' wages and social grants, persistent government services outages, civil unrest/war. Global economy falls into recession, severe global trade war, severe lengthy global financial crisis, WW3, SA economic depression.                                                                                       |       |       |       |       |       |       |       |       |
| <b>14%</b>      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |       |       |       |       |       |       |       |       |

**Note:** Event risk begins Q2.18 Source: Investec, IRESS

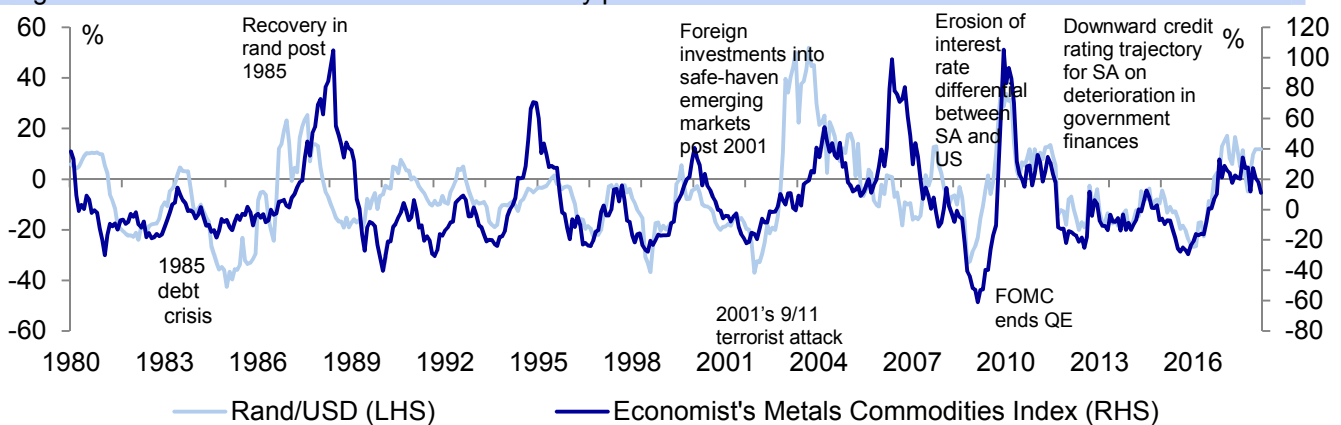


Figure 5: Net foreign portfolio flows for SA assets

| Week                               | Equities (Rbn) | Bonds (Rbn) | Total (Rbn) |
|------------------------------------|----------------|-------------|-------------|
| 23rd April – 26th April            | -1.6           | -3.5        | -5.1        |
| 16th April -20th April             | -2.5           | 4.5         | 1.9         |
| 9th April – 13th April             | 5.0            | -1.7        | 3.2         |
| 3rd April – 6th April              | 1.9            | -3.3        | -1.4        |
| 26th March – 29th March            | -2.4           | 1.1         | -1.2        |
| 19th March – 23rd March            | 6.4            | 2.4         | 8.7         |
| 12th March – 16th March            | -8.9           | 3.5         | -5.4        |
| 5th March – 9th March 2018         | 2.6            | -0.3        | 2.3         |
| 26th February - 2nd March 2018     | 0.4            | 1.6         | 2.0         |
| 19th February – 23rd February 2018 | 2.7            | 12.2        | 14.8        |
| Month                              |                |             |             |
| March 2018                         | -0.8           | 6.2         | 5.4         |
| February 2018                      | 14.4           | 7.6         | 22.0        |
| January 2018                       | 10.6           | -7.0        | 3.6         |
| December 2017                      | 31.0           | -4.6        | 26.4        |
| November 2017                      | 2.4            | -14.3       | -12.0       |
| October 2017                       | 9.1            | -13.7       | -4.6        |
| September 2017                     | -24.7          | 17.8        | -6.8        |
| August 2017                        | -1.9           | -2.4        | -4.3        |
| July 2017                          | 10.8           | 8.1         | 18.9        |
| June 2017                          | -19.1          | -6.4        | -25.5       |
| May 2017                           | -9.1           | 9.2         | 0.1         |
| April 2017                         | -2.9           | 14.4        | 11.5        |
| March 2017                         | -12.8          | 18.6        | 5.7         |
| February 2017                      | -9.6           | 3.7         | -5.9        |

Note: Data subject to frequent revisions Source: IRESS

Figure 6: Rand vs Economist's metals commodity price index



Source: IRESS, Investec



### Data releases in the week ahead

Figure 7: Economic data releases for this week

| Date           | Country         | Indicator                        | Month    | Forecast  | Previous  |
|----------------|-----------------|----------------------------------|----------|-----------|-----------|
| 30/04/18       | SA              | Money Supply                     | Mar      | 7.00% y/y | 6.89% y/y |
|                |                 | Private Sector Credit Extension  | Mar      | 5.75% y/y | 5.74% y/y |
|                |                 | Trade Balance                    | Mar      | 3.8bn     | 0.4bn     |
|                | US              | Personal Income                  | Mar      | 0.4%      | 0.4%      |
|                |                 | Personal Spending                | Mar      | 0.4%      | 0.2%      |
|                |                 | PCE Core                         | Mar      | 1.9% y/y  | 1.6% y/y  |
|                |                 | Pending Home Sales NSA           | Mar      |           | -4.4% y/y |
| Eurozone       | M3 Money Supply | Mar                              | 4.1% y/y | 4.2% y/y  |           |
| 01/05/18       | US              | ISM Manufacturing PMI            | Apr      | 56.5      | 56.5      |
|                |                 | Wards Total Vehicle Sales        | Apr      | 17.10m    | 17.40m    |
| 02/05/18       | SA              | Manufacturing PMI                | Apr      | 48.0      | 46.9      |
|                |                 | Vehicle Sales                    | Apr      | 5.0% y/y  | 1.1% y/y  |
|                | US              | MBA Mortgage Applications        | Apr 27   |           | -0.2%     |
|                |                 | FOMC Rate Decision (Upper Bound) | May 2    | 1.75%     | 1.75%     |
|                |                 | FOMC Rate Decision (Lower Bound) | May 2    | 1.50%     | 1.50%     |
|                | Eurozone        | Eurozone manufacturing PMI       | Apr      | 56.0      | 56.0      |
|                |                 | Unemployment Rate                | Mar      | 8.5%      | 8.5%      |
| Advance GDP SA | Q1.18           | 0.4% q/q                         | 0.6% q/q |           |           |
| 03/05/18       | SA              | Electricity Production           | Mar      |           | 2.0% y/y  |
|                |                 | Electricity Consumption          | Mar      |           | 0.4% y/y  |
|                | US              | Prelim. Unit Labour Costs        | Q1.18    | 3.0%      | 2.5%      |
|                |                 | Initial Jobless Claims           | Apr 28   | 224k      | 209k      |
|                |                 | Continuing Claims                | Apr 21   | 1838k     | 1837k     |
|                |                 | Trade Balance                    | Mar      | -\$50.0bn | -\$57.6bn |
|                |                 | Durable Goods Orders             | Mar      |           | 2.6%      |
|                |                 | Cap Goods Orders Nondef Ex Air   | Mar      |           | -0.1%     |
|                |                 | Cap Goods Ship Nondef Ex Air     | Mar      |           | 0.7%      |
|                | Eurozone        | Factory Orders                   | Mar      | 1.4%      | 1.2%      |
|                |                 | PPI                              | Mar      | 2.1% y/y  | 1.6% y/y  |
|                |                 | Advance CPI Core                 | Apr      | 0.9% y/y  | 1.0% y/y  |
|                |                 | CPI Estimate                     | Apr      | 1.3% y/y  |           |
| 04/05/18       | US              | Change in Nonfarm Payrolls       | Apr      | 195k      | 103k      |
|                |                 | Unemployment Rate                | Apr      | 4.0%      | 4.1%      |
|                |                 | Average Hourly Earnings          | Apr      | 0.2% m/m  | 0.3% m/m  |
|                |                 | Average Hourly Earnings          | Apr      | 2.7% y/y  | 2.7% y/y  |
|                |                 | Labour Force Participation Rate  | Apr      |           | 62.9%     |
|                | Eurozone        | Retail Sales                     | Mar      | 1.9% y/y  | 1.8% y/y  |

Note: sa – seasonally adjusted, nsa – not seasonally adjusted

Source Bloomberg

**Week Ahead: We expect April's PMI gauge to lift marginally to 48.0 from 46.9 in March, supported by recent positive events**

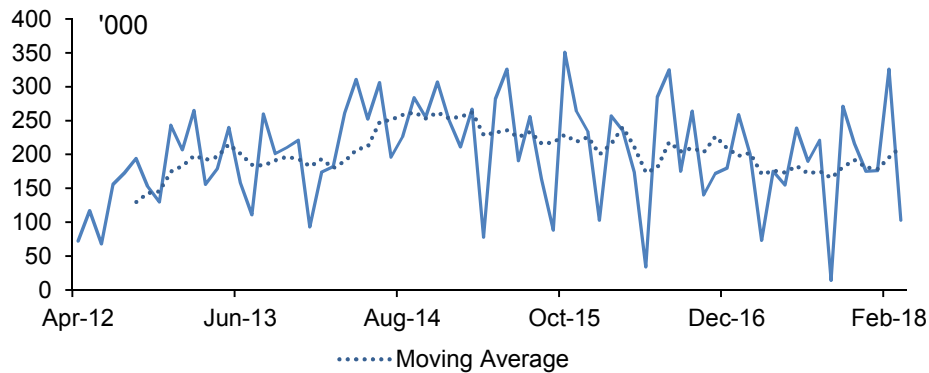
30 April 2018



**International section**

written by Philip Shaw (PS)/ Victoria Clarke (VC)/ Ryan Djajasaputra (RD)/George Brown (GB).

**Figure 8: US Change in non-farm payrolls**



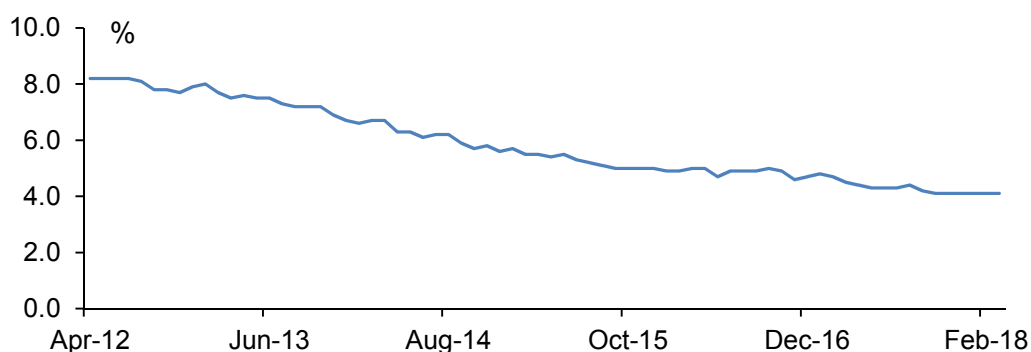
Source: Bureau of Labour Statistics

(PS) Markets hit another milestone last week as the 10-year US Treasury yield hit 3.0% for the first time since 2014. Another key market event will be the trade mission by US Treasury Secretary Mnuchin (and possibly also Trade Representative Lighthizer, among others) to Beijing. The fact that a dialogue seems to be taking place is positive for risk assets and helps to ease fears of a protracted slide towards a trade war. As ECB President Draghi remarked, a drift down in business confidence could turn out to be economically destructive.

Note that April's US jobs report is due on Friday. Our expectation is for a rebound in the rise in non-farm payrolls to +200k from March's soft +103k. We judge that such solid jobs growth will not be offset by rising participation rates and so we are forecasting a fall in the unemployment rate to 4.0% this time, following six consecutive months at 4.1%. Markets of course will also keep a close eye on hourly earnings growth, which at 2.7% in March, is close to the 2.1% to 2.8% range which has held for the past three years.

It may be easy to forget that the FOMC meets this week - its policy announcement is on Wednesday. We view this to be a 'steady hand' meeting, with the Fed funds target range held at 1.50%-1.75% and no changes to the committee's balance sheet reduction plans. No press conference is scheduled, but we will be on the lookout for any subtle tweaks in the wording to the accompanying statement.

**Figure 9: US Unemployment Rate**



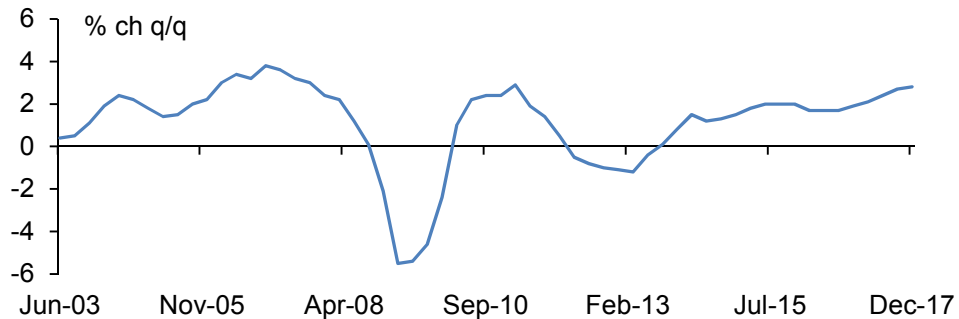
Sources: Bureau of Labour Statistics

**Week Ahead: We expect April's PMI gauge to lift marginally to 48.0 from 46.9 in March, supported by recent positive events**

30 April 2018



**Figure 10: Advance Eurozone GDP**



Source: Bloomberg

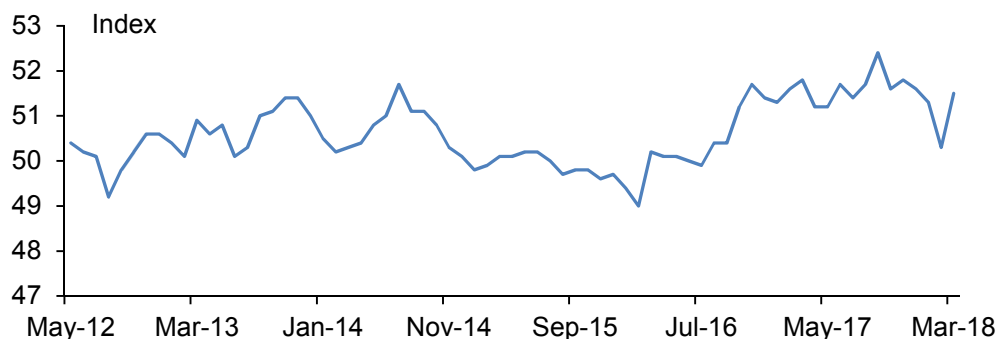
In the Eurozone, Q1.18 GDP is published on Wednesday (Eurostat terms these ‘preliminary flash’ estimates). A recent run of soft monthly indicators points to a slowdown, and our forecast is that growth slowed to +0.4% q/q, after a run of three outturns of +0.7% q/q. A rebound in growth in Q2.18 seems likely, as special factors such as the weather, strikes and a ‘flu epidemic unwind, but perhaps the best period of Euro area growth is behind it.

In addition, April’s ‘flash’ HICP inflation estimate is due on Thursday. Final March data showed the annual headline rate at +1.3% and the core (ex-food, energy, alcohol & tobacco) measure at 1.0%. Base effects (i.e. a sharp increase in April 2017) do not help prospects for a rise towards 2%. Nor does the early timing of Easter, given a possible moderation in travel costs in April.

In the UK, this week may represent a lull before the storm provided by the 10 May Bank of England Inflation Report and MPC announcement. Bearing in mind Mark Carney’s recent comments about mixed data, the decision may be more finely balanced than we had envisaged. But we judge that the MPC will believe that the tight labour market will override the softer than expected short-term inflation environment. This of course is the Fed’s mindset. Thursday’s release of April’s services PMI may be important though given last month’s near three point retracement. We are forecasting a sharp rebound and the MPC may be reticent to raise rates if this key survey reading remains subdued.

Various Chinese PMIs are due next week, while the Norges bank holds a policy meeting on Thursday.

**Figure 11: Chinese Manufacturing PMI**



Source: Bloomberg



**Global forecasts**

**Figure 12: 10-year government bond yields (% , end-quarter):**

|         | US   | Germany | UK   |
|---------|------|---------|------|
| Current | 2.85 | 0.52    | 1.44 |
| 2018    |      |         |      |
| Q2      | 3.00 | 0.75    | 1.75 |
| Q4      | 3.25 | 1.00    | 2.00 |
| 2019    |      |         |      |
| Q2      | 3.25 | 1.25    | 2.25 |
| Q4      | 3.25 | 1.50    | 2.25 |

Source: Reuters, Investec

**Figure 13: Key official interest rates (% , end quarter)**

|         | US<br>Fed funds | Eurozone<br>refi rate | Eurozone<br>deposit<br>rate | UK Bank<br>rate | Australia<br>cash rate |
|---------|-----------------|-----------------------|-----------------------------|-----------------|------------------------|
| Current | 1.50-1.75       | 0.00                  | -0.40                       | 0.50            | 1.50                   |
| 2018    |                 |                       |                             |                 |                        |
| Q1      | 1.50-1.75       | 0.00                  | -0.40                       | 0.50            | 1.50                   |
| Q2      | 1.75-2.00       | 0.00                  | -0.40                       | 0.75            | 1.50                   |
| Q3      | 2.00-2.25       | 0.00                  | -0.40                       | 0.75            | 1.50                   |
| Q4      | 2.25-2.50       | 0.00                  | -0.40                       | 1.00            | 1.50                   |
| 2019    |                 |                       |                             |                 |                        |
| Q1      | 2.50-2.75       | 0.00                  | -0.40                       | 1.00            | 1.75                   |
| Q2      | 2.75-3.00       | 0.00                  | -0.20                       | 1.25            | 1.75                   |
| Q3      | 2.75-3.00       | 0.25                  | 0.00                        | 1.25            | 2.00                   |
| Q4      | 2.75-3.00       | 0.50                  | 0.25                        | 1.25            | 2.00                   |

End year

|      |           |      |      |      |      |
|------|-----------|------|------|------|------|
| 2020 | 2.75-3.00 | 1.00 | 0.75 | 1.50 | 2.50 |
|------|-----------|------|------|------|------|

Source: Reuters, Investec



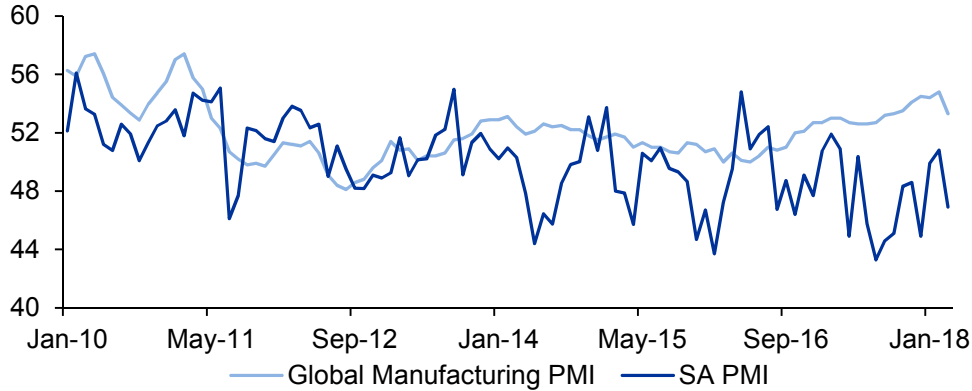
**Week Ahead: We expect April's PMI gauge to lift marginally to 48.0 from 46.9 in March, supported by recent positive events**

30 April 2018



**South Africa section**

**Figure 14: PMI**

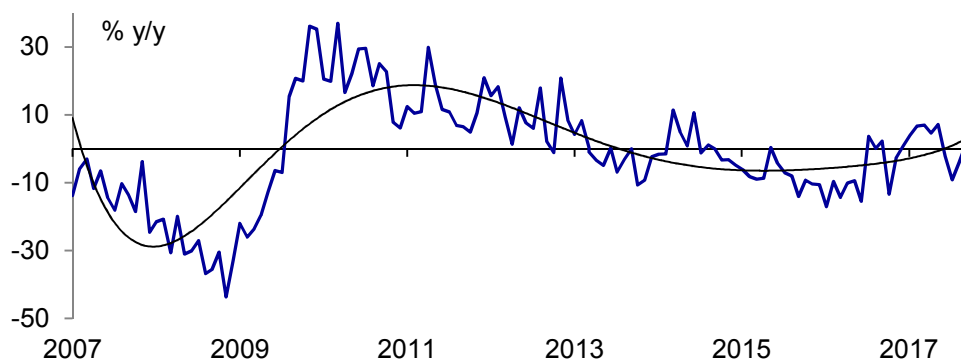


Source: Stats SA

The PMI gauge for March dropped back into contractionary territory, logging 46.9, down 3.9 points from February's figure. This overall PMI result was disappointing amid recent positive developments. However, both the avoidance of a ratings downgrade by Moody's rating agency, coupled with an interest rate cut and improved sentiment should boost private consumption and investment going forward, with forecasts for 2018 having been revised upwards. Additionally the global composite PMI, although slightly weaker than February's 41 month high, is still elevated on a quarterly basis and should continue to lend some support to the domestic economy. We foresee the PMI remaining under 50, but lifting somewhat to around 48.0.

Domestic vehicle sales grew in March at a rate of 1.1% y/y, following a contraction of 4.0% y/y in February 2018. According to Naamsa "Pre-emptive buying by consumers to avoid the increase in value added tax, new vehicle emissions taxes and ad valorem duty changes announced in the budget", was primarily responsible for the increase. Recent positive events, including the avoidance of a downgrade by Moody's rating agency, coupled with a 25bp cut in the interest rate, together with stronger business and consumer confidence and a robust global economy should support domestic new vehicle sales. Currently, NAAMSA anticipates "(t)hat, on an annualised basis, new vehicle sales could improve by around 3.0%, in volume terms, compared to 2017". We anticipate vehicles sales to lift by around 6.0% y/y in April.

**Figure 15: Vehicle Sales**



Source: Stats SA

**Week Ahead: We expect April's PMI gauge to lift marginally to 48.0 from 46.9 in March, supported by recent positive events**

30 April 2018



Figure 16: CPI forecast averages

| Date     | Index Base 2010 | Annual y/y | Monthly m/m | Quarterly y/y | Calendar year y/y |     |
|----------|-----------------|------------|-------------|---------------|-------------------|-----|
| Jan 2017 | 100.6           | 6.6        | 0.6         |               |                   |     |
| Feb 2017 | 101.7           | 6.3        | 1.1         |               |                   |     |
| Mar 2017 | 102.3           | 6.1        | 0.6         | 6.3           |                   |     |
| Apr 2017 | 102.4           | 5.3        | 0.1         |               |                   |     |
| May 2017 | 102.7           | 5.4        | 0.3         |               |                   |     |
| Jun 2017 | 102.9           | 5.1        | 0.2         | 5.3           |                   |     |
| Jul 2017 | 103.2           | 4.6        | 0.3         |               |                   |     |
| Aug 2017 | 103.3           | 4.8        | 0.1         |               |                   |     |
| Sep 2017 | 103.8           | 5.1        | 0.5         | 4.8           |                   |     |
| Oct 2017 | 104.1           | 4.8        | 0.3         |               |                   |     |
| Nov 2017 | 104.2           | 4.6        | 0.1         |               |                   |     |
| Dec 2017 | 104.7           | 4.7        | 0.5         | 4.7           | 2017              | 5.3 |
| Jan 2018 | 105.0           | 4.4        | 0.3         |               |                   |     |
| Feb 2018 | 105.8           | 4.0        | 0.8         |               |                   |     |
| Mar 2018 | 106.2           | 3.8        | 0.7         | 4.1           |                   |     |
| Apr 2018 | 107.1           | 4.6        | 0.9         |               |                   |     |
| May 2018 | 107.5           | 4.7        | 0.4         |               |                   |     |
| Jun 2018 | 107.8           | 4.8        | 0.3         | 4.7           |                   |     |
| Jul 2018 | 108.4           | 5.1        | 0.6         |               |                   |     |
| Aug 2018 | 108.9           | 5.4        | 0.4         |               |                   |     |
| Sep 2018 | 109.3           | 5.3        | 0.4         | 5.2           |                   |     |
| Oct 2018 | 109.7           | 5.4        | 0.4         |               |                   |     |
| Nov 2018 | 110.0           | 5.6        | 0.3         |               |                   |     |
| Dec 2018 | 110.4           | 5.4        | 0.3         | 5.5           | 2018              | 4.9 |
| Jan 2019 | 111.1           | 5.8        | 0.7         |               |                   |     |
| Feb 2019 | 111.7           | 5.6        | 0.5         |               |                   |     |
| Mar 2019 | 112.6           | 6.0        | 0.8         | 5.8           |                   |     |
| Apr 2019 | 113.0           | 5.5        | 0.4         |               |                   |     |
| May 2019 | 113.3           | 5.4        | 0.2         |               |                   |     |
| Jun 2019 | 113.5           | 5.3        | 0.2         | 5.4           |                   |     |
| Jul 2019 | 114.0           | 5.2        | 0.5         |               |                   |     |
| Aug 2019 | 114.5           | 5.2        | 0.4         |               |                   |     |
| Sep 2019 | 115.0           | 5.2        | 0.4         | 5.2           |                   |     |
| Oct 2019 | 115.3           | 5.1        | 0.3         |               |                   |     |
| Nov 2019 | 115.7           | 5.1        | 0.3         |               |                   |     |
| Dec 2019 | 116.0           | 5.1        | 0.3         | 5.1           | 2019              | 5.4 |

Source: Stats SA, Investec

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30 April 2018



Figure 16: CPI forecast averages

| Date     | Index Base 2010 | Annual y/y | Monthly m/m | Quarterly y/y | Calendar year y/y |
|----------|-----------------|------------|-------------|---------------|-------------------|
| Jan 2020 | 116.6           | 4.9        | 0.5         |               |                   |
| Feb 2020 | 117.6           | 5.3        | 0.9         |               |                   |
| Mar 2020 | 118.1           | 4.9        | 0.4         | 5.0           |                   |
| Apr 2020 | 118.3           | 4.7        | 0.2         |               |                   |
| May 2020 | 118.8           | 4.9        | 0.4         |               |                   |
| Jun 2020 | 119.2           | 5.0        | 0.3         | 4.9           |                   |
| Jul 2020 | 120.0           | 5.2        | 0.7         |               |                   |
| Aug 2020 | 120.2           | 5.0        | 0.2         |               |                   |
| Sep 2020 | 120.7           | 5.0        | 0.4         | 5.1           |                   |
| Oct 2020 | 121.0           | 4.9        | 0.2         |               |                   |
| Nov 2020 | 121.4           | 5.0        | 0.4         |               |                   |
| Dec 2020 | 121.8           | 5.0        | 0.3         | 5.0           | 2020 5.0          |
| Jan 2021 | 122.5           | 5.1        | 0.6         |               |                   |
| Feb 2021 | 123.7           | 5.2        | 1.0         |               |                   |
| Mar 2021 | 124.2           | 5.2        | 0.4         | 5.1           |                   |
| Apr 2021 | 124.6           | 5.3        | 0.3         |               |                   |
| May 2021 | 125.1           | 5.3        | 0.4         |               |                   |
| Jun 2021 | 125.3           | 5.2        | 0.2         | 5.2           |                   |
| Jul 2021 | 126.3           | 5.3        | 0.8         |               |                   |
| Aug 2021 | 127.1           | 5.7        | 0.6         |               |                   |
| Sep 2021 | 127.6           | 5.7        | 0.4         | 5.6           |                   |
| Oct 2021 | 128.0           | 5.8        | 0.3         |               |                   |
| Nov 2021 | 128.2           | 5.6        | 0.2         |               |                   |
| Dec 2021 | 128.6           | 5.6        | 0.3         | 5.7           | 2021 5.4          |

Source: Stats SA, Investec



Figure 17: Interest rate forecast end rates

| Date     | Prime forecast | Prime less Inflation | Repo | Repo less Inflation |
|----------|----------------|----------------------|------|---------------------|
| Jan 2017 | 10.50          | 3.9                  | 7.00 | 0.4                 |
| Feb 2017 | 10.50          | 4.2                  | 7.00 | 0.7                 |
| Mar 2017 | 10.50          | 4.4                  | 7.00 | 0.9                 |
| Apr 2017 | 10.50          | 5.2                  | 7.00 | 1.7                 |
| May 2017 | 10.50          | 5.1                  | 7.00 | 1.6                 |
| Jun 2017 | 10.50          | 5.4                  | 7.00 | 1.9                 |
| Jul 2017 | 10.25          | 5.7                  | 6.75 | 2.2                 |
| Aug 2017 | 10.25          | 5.5                  | 6.75 | 2.0                 |
| Sep 2017 | 10.25          | 5.2                  | 6.75 | 1.7                 |
| Oct 2017 | 10.25          | 5.4                  | 6.75 | 1.9                 |
| Nov 2017 | 10.25          | 5.6                  | 6.75 | 2.1                 |
| Dec 2017 | 10.25          | 5.6                  | 6.75 | 2.1                 |
| Jan 2018 | 10.25          | 5.9                  | 6.75 | 2.4                 |
| Feb 2018 | 10.25          | 6.2                  | 6.75 | 2.7                 |
| Mar 2018 | 10.00          | 6.2                  | 6.50 | 2.7                 |
| Apr 2018 | 10.00          | 5.4                  | 6.50 | 1.9                 |
| May 2018 | 10.00          | 5.3                  | 6.50 | 1.8                 |
| Jun 2018 | 10.00          | 5.2                  | 6.50 | 1.7                 |
| Jul 2018 | 10.00          | 4.9                  | 6.50 | 1.4                 |
| Aug 2018 | 10.00          | 4.6                  | 6.50 | 1.1                 |
| Sep 2018 | 10.00          | 4.7                  | 6.50 | 1.2                 |
| Oct 2018 | 10.00          | 4.6                  | 6.50 | 1.1                 |
| Nov 2018 | 10.00          | 4.4                  | 6.50 | 0.9                 |
| Dec 2018 | 10.00          | 4.6                  | 6.50 | 1.1                 |
| Jan 2019 | 10.00          | 4.2                  | 6.50 | 0.7                 |
| Feb 2019 | 10.00          | 4.4                  | 6.50 | 0.9                 |
| Mar 2019 | 10.00          | 4.0                  | 6.50 | 0.5                 |
| Apr 2019 | 10.00          | 4.5                  | 6.50 | 1.0                 |
| May 2019 | 10.00          | 4.6                  | 6.50 | 1.1                 |
| Jun 2019 | 10.00          | 4.7                  | 6.50 | 1.2                 |
| Jul 2019 | 10.00          | 4.8                  | 6.50 | 1.3                 |
| Aug 2019 | 10.00          | 4.8                  | 6.50 | 1.3                 |
| Sep 2019 | 10.00          | 4.8                  | 6.50 | 1.3                 |
| Oct 2019 | 10.00          | 4.9                  | 6.50 | 1.4                 |
| Nov 2019 | 10.00          | 4.9                  | 6.50 | 1.4                 |
| Dec 2019 | 10.00          | 4.9                  | 6.50 | 1.4                 |

Source: IRESS, Investec



Figure 18: **Exchange rate history and forecast: annual averages**

|               | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>EURUSD</b> | 1.11  | 1.11  | 1.13  | 1.22  | 1.26  | 1.26  | 1.25  | 1.25  | 1.25  |
| <b>EURGBP</b> | 0.73  | 0.82  | 0.88  | 0.87  | 0.88  | 0.90  | 0.90  | 0.90  | 0.89  |
| <b>GBPEUR</b> | 1.38  | 1.22  | 1.14  | 1.14  | 1.14  | 1.12  | 1.12  | 1.12  | 1.12  |
| <b>GBPUSD</b> | 1.53  | 1.36  | 1.29  | 1.39  | 1.43  | 1.41  | 1.39  | 1.39  | 1.40  |
| <b>USDJPY</b> | 115   | 114   | 112   | 107   | 104   | 105   | 106   | 107   | 107   |
| <b>EURJPY</b> | 128   | 127   | 127   | 130   | 131   | 132   | 133   | 133   | 134   |
| <b>GBPJPY</b> | 176   | 155   | 145   | 149   | 149   | 148   | 148   | 149   | 150   |
| <b>EURCHF</b> | 1.09  | 1.07  | 1.11  | 1.17  | 1.20  | 1.22  | 1.21  | 1.21  | 1.19  |
| <b>USDCHF</b> | 0.98  | 0.97  | 0.98  | 0.96  | 0.96  | 0.96  | 0.96  | 0.95  | 0.95  |
| <b>GBPCHF</b> | 1.49  | 1.31  | 1.27  | 1.34  | 1.37  | 1.36  | 1.34  | 1.32  | 1.33  |
| <b>AUDUSD</b> | 0.75  | 0.75  | 0.77  | 0.79  | 0.78  | 0.76  | 0.79  | 0.78  | 0.78  |
| <b>EURAUD</b> | 1.49  | 1.49  | 1.47  | 1.55  | 1.61  | 1.66  | 1.59  | 1.60  | 1.60  |
| <b>AUDJPY</b> | 86    | 85    | 86    | 84    | 81    | 80    | 83    | 83    | 83    |
| <b>GBPAUD</b> | 2.05  | 1.82  | 1.68  | 1.77  | 1.83  | 1.86  | 1.78  | 1.79  | 1.79  |
| <b>ZARUSD</b> | 12.76 | 14.68 | 13.30 | 11.74 | 11.46 | 11.18 | 10.96 | 11.30 | 11.73 |
| <b>ZARGBP</b> | 19.48 | 19.92 | 17.13 | 16.33 | 16.41 | 15.76 | 15.29 | 15.76 | 16.42 |
| <b>ZAREUR</b> | 14.15 | 16.26 | 15.03 | 14.28 | 14.44 | 14.12 | 13.70 | 14.13 | 14.66 |
| <b>JPYZAR</b> | 9.48  | 7.33  | 8.39  | 9.11  | 9.08  | 9.38  | 9.67  | 9.45  | 9.13  |
| <b>ZARCHF</b> | 13.26 | 14.93 | 13.51 | 12.24 | 12.00 | 11.60 | 11.42 | 11.89 | 12.34 |
| <b>ZARAUD</b> | 9.58  | 10.93 | 10.20 | 9.23  | 8.97  | 8.49  | 8.61  | 8.81  | 9.15  |

Source: IRESS, Investec



Figure 18: **Exchange rate history and forecast: annual averages**

|               | 2017  |       |       |       | 2018  |       |       |       | 2019  |       |       |       |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|               | Q1.17 | Q2.17 | Q3.17 | Q4.17 | Q1.18 | Q2.18 | Q3.18 | Q4.18 | Q1.19 | Q2.19 | Q3.19 | Q4.19 |
| <b>EURUSD</b> | 1.07  | 1.10  | 1.18  | 1.18  | 1.23  | 1.22  | 1.21  | 1.22  | 1.23  | 1.25  | 1.27  | 1.29  |
| <b>EURGBP</b> | 0.86  | 0.86  | 0.90  | 0.89  | 0.88  | 0.87  | 0.87  | 0.87  | 0.88  | 0.88  | 0.88  | 0.89  |
| <b>GBPEUR</b> | 1.16  | 1.16  | 1.11  | 1.13  | 1.13  | 1.14  | 1.15  | 1.15  | 1.14  | 1.14  | 1.14  | 1.13  |
| <b>GBPUSD</b> | 1.24  | 1.28  | 1.31  | 1.33  | 1.39  | 1.39  | 1.39  | 1.40  | 1.41  | 1.42  | 1.44  | 1.46  |
| <b>USDJPY</b> | 114   | 111   | 111   | 113   | 108   | 107   | 107   | 106   | 105   | 104   | 104   | 104   |
| <b>EURJPY</b> | 121   | 122   | 131   | 133   | 133   | 130   | 129   | 128   | 129   | 130   | 132   | 134   |
| <b>GBPJPY</b> | 141   | 142   | 145   | 150   | 150   | 149   | 148   | 147   | 147   | 148   | 150   | 152   |
| <b>EURCHF</b> | 1.07  | 1.08  | 1.14  | 1.16  | 1.17  | 1.17  | 1.17  | 1.18  | 1.19  | 1.21  | 1.21  | 1.21  |
| <b>USDCHF</b> | 1.00  | 0.98  | 0.96  | 0.99  | 0.95  | 0.96  | 0.97  | 0.97  | 0.97  | 0.96  | 0.95  | 0.94  |
| <b>GBPCHF</b> | 1.24  | 1.26  | 1.26  | 1.31  | 1.32  | 1.34  | 1.34  | 1.35  | 1.36  | 1.37  | 1.38  | 1.37  |
| <b>AUDUSD</b> | 0.76  | 0.75  | 0.79  | 0.77  | 0.79  | 0.78  | 0.79  | 0.79  | 0.79  | 0.79  | 0.78  | 0.78  |
| <b>EURAUD</b> | 1.41  | 1.47  | 1.49  | 1.53  | 1.56  | 1.56  | 1.53  | 1.54  | 1.56  | 1.59  | 1.63  | 1.66  |
| <b>AUDJPY</b> | 86    | 83    | 88    | 87    | 85    | 83    | 85    | 83    | 83    | 82    | 81    | 81    |
| <b>GBPAUD</b> | 1.64  | 1.70  | 1.66  | 1.73  | 1.77  | 1.78  | 1.75  | 1.77  | 1.78  | 1.81  | 1.85  | 1.88  |
| <b>ZARUSD</b> | 13.22 | 13.19 | 13.18 | 13.62 | 11.96 | 11.70 | 11.70 | 11.60 | 11.55 | 11.40 | 11.45 | 11.45 |
| <b>ZARGBP</b> | 16.35 | 16.85 | 17.22 | 18.08 | 16.65 | 16.27 | 16.21 | 16.20 | 16.24 | 16.19 | 16.52 | 16.69 |
| <b>ZAREUR</b> | 14.08 | 14.52 | 15.49 | 16.05 | 14.70 | 14.23 | 14.10 | 14.09 | 14.21 | 14.25 | 14.54 | 14.77 |
| <b>JPYZAR</b> | 8.54  | 8.39  | 8.36  | 8.27  | 9.06  | 9.15  | 9.15  | 9.09  | 9.05  | 9.12  | 9.08  | 9.08  |
| <b>ZARCHF</b> | 13.16 | 13.40 | 13.69 | 13.81 | 12.61 | 12.14 | 12.10 | 11.99 | 11.94 | 11.83 | 12.02 | 12.21 |
| <b>ZARAUD</b> | 10.02 | 9.90  | 10.41 | 10.47 | 9.41  | 9.12  | 9.24  | 9.16  | 9.12  | 8.95  | 8.93  | 8.87  |

Source: IRESS, Investec



Figure 18: **Exchange rate history and forecast: annual averages**

|               | 2020  |       |       |       | 2021  |       |       |       | 2022  |       |       |       |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|               | Q1.20 | Q2.20 | Q3.20 | Q4.20 | Q1.21 | Q2.21 | Q3.21 | Q4.21 | Q1.22 | Q2.22 | Q3.22 | Q4.22 |
| <b>EURUSD</b> | 1.28  | 1.26  | 1.26  | 1.26  | 1.25  | 1.25  | 1.25  | 1.25  | 1.25  | 1.25  | 1.25  | 1.25  |
| <b>EURGBP</b> | 0.89  | 0.90  | 0.90  | 0.90  | 0.90  | 0.90  | 0.90  | 0.90  | 0.90  | 0.90  | 0.90  | 0.90  |
| <b>GBPEUR</b> | 1.12  | 1.12  | 1.11  | 1.11  | 1.12  | 1.12  | 1.12  | 1.12  | 1.12  | 1.12  | 1.12  | 1.12  |
| <b>GBPUSD</b> | 1.44  | 1.41  | 1.40  | 1.39  | 1.39  | 1.39  | 1.39  | 1.39  | 1.39  | 1.39  | 1.39  | 1.39  |
| <b>USDJPY</b> | 104   | 105   | 105   | 105   | 106   | 106   | 106   | 106   | 106   | 107   | 107   | 107   |
| <b>EURJPY</b> | 133   | 132   | 132   | 132   | 133   | 133   | 133   | 133   | 133   | 134   | 134   | 134   |
| <b>GBPJPY</b> | 150   | 148   | 147   | 146   | 148   | 148   | 148   | 148   | 148   | 149   | 149   | 149   |
| <b>EURCHF</b> | 1.21  | 1.22  | 1.22  | 1.23  | 1.22  | 1.20  | 1.20  | 1.20  | 1.21  | 1.21  | 1.21  | 1.21  |
| <b>USDCHF</b> | 0.95  | 0.96  | 0.97  | 0.98  | 0.96  | 0.96  | 0.96  | 0.96  | 0.95  | 0.95  | 0.95  | 0.95  |
| <b>GBPCHF</b> | 1.36  | 1.36  | 1.36  | 1.36  | 1.34  | 1.34  | 1.34  | 1.34  | 1.32  | 1.32  | 1.32  | 1.32  |
| <b>AUDUSD</b> | 0.77  | 0.77  | 0.76  | 0.75  | 0.79  | 0.79  | 0.78  | 0.78  | 0.78  | 0.78  | 0.78  | 0.78  |
| <b>EURAUD</b> | 1.66  | 1.65  | 1.67  | 1.67  | 1.58  | 1.58  | 1.60  | 1.60  | 1.60  | 1.60  | 1.60  | 1.60  |
| <b>AUDJPY</b> | 80    | 80    | 79    | 79    | 84    | 84    | 83    | 83    | 83    | 83    | 83    | 83    |
| <b>GBPAUD</b> | 1.87  | 1.84  | 1.85  | 1.86  | 1.77  | 1.77  | 1.79  | 1.79  | 1.79  | 1.79  | 1.79  | 1.79  |
| <b>ZARUSD</b> | 11.35 | 11.25 | 11.05 | 10.85 | 10.75 | 10.85 | 11.00 | 11.05 | 11.05 | 11.25 | 11.35 | 11.35 |
| <b>ZARGBP</b> | 16.32 | 15.84 | 15.47 | 15.13 | 14.99 | 15.13 | 15.34 | 15.41 | 15.41 | 15.69 | 15.83 | 15.83 |
| <b>ZAREUR</b> | 14.53 | 14.18 | 13.92 | 13.62 | 13.44 | 13.56 | 13.75 | 13.81 | 13.81 | 14.06 | 14.19 | 14.19 |
| <b>JPYZAR</b> | 9.16  | 9.33  | 9.50  | 9.68  | 9.86  | 9.77  | 9.64  | 9.59  | 9.59  | 9.51  | 9.43  | 9.43  |
| <b>ZARCHF</b> | 12.01 | 11.67 | 11.41 | 11.12 | 11.20 | 11.30 | 11.46 | 11.51 | 11.63 | 11.84 | 11.95 | 11.95 |
| <b>ZARAUD</b> | 8.74  | 8.61  | 8.34  | 8.14  | 8.49  | 8.57  | 8.58  | 8.62  | 8.62  | 8.78  | 8.85  | 8.85  |

Source: IRESS, Investec

## Week Ahead: We expect April's PMI gauge to lift marginally to 48.0 from 46.9 in March, supported by recent positive events

30 April 2018



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