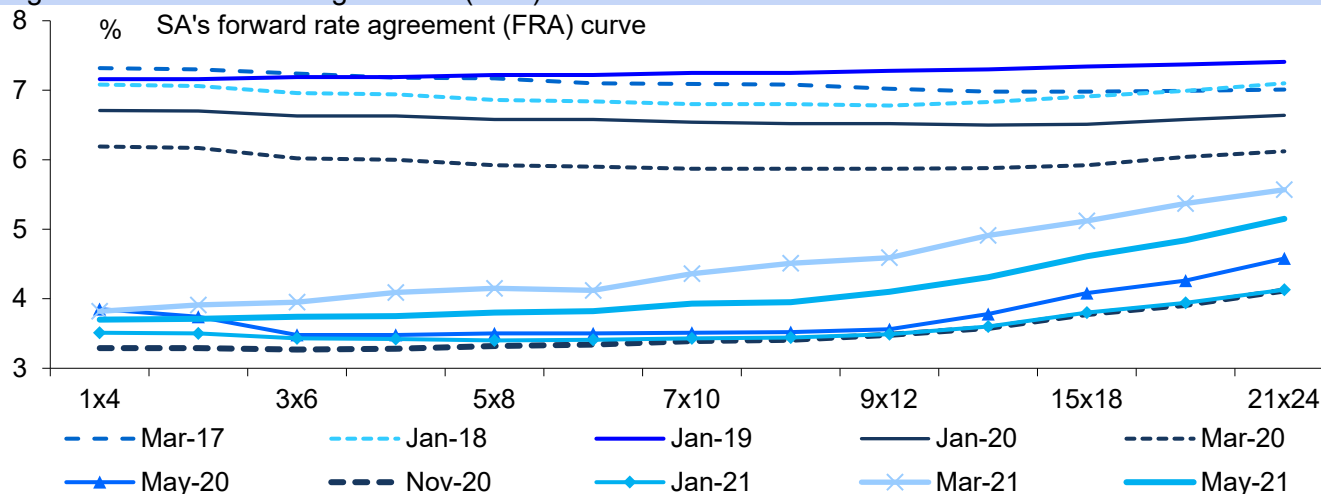




MPC preview: South Africa is unlikely to see a hike at the May MPC meeting and we have moved our forecast 25bp to November, and lowered the overall trajectory

Tuesday 11th May 2021

Figure 1: Forward Rate Agreement (FRA) curve



Source: Bloomberg

The FRAs (Forward Rate Agreements on interest rates) have dulled since the last MPC meeting, with no hike (25bp) expected in May any longer or indeed until at least September this year. We also believe this to be the case as global monetary policy has evidenced more relaxed views on future inflation, indicating that base effects are likely to be largely ignored, and indeed some inflationary pressure slightly over targets (both direct and indirect), would actually be helpful. South Africa has also seen very substantial rand strength this month and last, with the rand today reaching R13.95/USD today, which will calm imported inflationary pressures meaningfully, particularly from oil prices, which have risen sharply this year, but have stabilised so far this month around US\$68/bbl for Brent crude. Indeed, with the sharp strengthening of the rand, a petrol price cut of around 6c/litre is building for June, after May's 9c/litre decrease, as the rapid ascent in fuel prices until April this year has come to an end. OPEC+ is likely to be satisfied with the oil price around current levels, and Q2.21 could see less pressure from this source on inflation than price pressures were heralding earlier in the year. Currently we do not see CPI inflation breaching 5.0% y/y in Q2.21, although it comes close at 4.9% y/y, but it is still early. April will however still see a sharp jump in inflation, from March's 3.2% y/y to likely 4.2% y/y, and CPI inflation will likely remain above 4.0% y/y for the remainder of this year, and next year, averaging 5.0% y/y in 2022 and 2023, which falls into the SARB's inflation targeting period of twelve to eighteen months. While the inflation target is 3-6% y/y, the SARB has shown particular vigour in recent years in perusing the mid-point, of 4.5%, of the inflation target, but such an objective is less appropriate in the current fragile economic recovery, with the latest Consumer Financial Vulnerability Index (CSVI) from Momentum showing that "the majority of consumers are still feeling financially exposed and insecure, meaning that any small adverse event (e.g. pay cuts) can contribute to a large deterioration in the state of their personal finances." While we forecast that the November MPC

Figure 2: Forecasts

Period end rate %	Q1.21	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	Q4.22
Repo Rate	3.50	3.50	3.50	3.75	3.75	3.75	4.00	4.00
Prime Overdraft Rate	7.00	7.00	7.00	7.25	7.25	7.25	7.50	7.50

Source: Iress, Investec



MPC preview: South Africa is unlikely to see a hike at the May MPC meeting and we have moved our forecast 25bp to November, and lowered the overall trajectory

Tuesday 11th May 2021

Figure 3: Economic Scenarios: reduced downside, stronger expected case

		Q1.21	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	Q4.22
Extreme Up case 1%	USD/Rand (average)	14.96	14.10	13.50	13.40	13.10	12.90	12.70	12.50
	Repo rate (end rate)	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25
	Impact of Covid-19 pandemic very rapidly resolved - economic growth of 3–5%, then 5-7% for SA. Good governance, growth-creating reforms (structural constraints overcome), strengthening of property rights - individuals obtain title deeds in EWC – no nationalisation. High business confidence and fixed investment growth, substantial FDI inflows, strong fiscal consolidation (government debt falls back to low ratios of 2000s). Strong global growth, commodity boom. Stabilisation of credit ratings, then credit rating upgrades.								
Up case 2%	USD/Rand (average)	14.96	14.30	14.00	13.90	14.00	14.40	14.70	14.30
	Repo rate (end rate)	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
	Quick rebound from Covid-19 pandemic, rising confidence and investment levels - structural problems worked down. No further credit rating downgrades, rating outlooks move to stable and eventually positive, strong fiscal consolidation (government debt projections fall substantially). Global risk-on, global demand quickly returns to trend growth. Limited impact of expropriation (without compensation) to abandoned, unused, labour tenants' and government land (individuals are new owners and receive title deeds) does not have a negative effect on economy - no nationalisation.								
Base case 50%	USD/Rand (average)	14.96	14.50	15.00	14.90	15.00	15.40	15.70	15.30
	Repo rate (end rate)	3.50	3.50	3.50	3.75	3.75	3.75	4.00	4.00
	Recovery from the sharp global economic slowdown by 2024 in real terms – sufficient global and domestic monetary and other policy supports to growth and financial markets occur and risk sentiment stabilises then improves. Expropriation of private sector property is limited and does not have a negative impact on the economy or on market sentiment. SA remains in the BB category rating bracket for Moody's – fiscal consolidation (debt to GDP stabilisation) occurs.								
Lite (domestic) Down case 42%	USD/Rand (average)	14.96	15.00	15.75	16.50	16.70	17.00	17.50	17.00
	Repo rate (end rate)	3.50	3.75	3.75	4.00	4.00	4.25	4.25	4.50
	The international environment (including risk sentiment) is that of the base case. South Africa fails to see its debt projections stabilise and falls into single B credit ratings from all three agencies for local and foreign currency. Recession occurs. Expropriation of some private commercial sector property without compensation, with some negative impact on the economy. Business confidence depressed, rand weakness, significant load shedding and weak investment growth. Substantial fiscal consolidation ultimately occurs, preventing ratings falling into the C grades.								
Severe down case 5%	USD/Rand (average)	14.96	15.50	17.00	17.50	18.00	18.50	19.00	19.50
	Repo rate (end rate)	3.50	4.00	4.00	4.25	4.50	4.50	4.75	5.00
	Lengthy global recession, global financial crisis – insufficient monetary and other policy supports to growth domestically and internationally. Depression in SA, unprecedented rand weakness. Nationalisation of private sector property (title deeds not transferred to individuals). SA rated single B from all three key agencies, with further rating downgrades eventually occurring into CCC grade and lower to D (default) as government finances deteriorate (debt projections elevate even further - fail to ever stabilise. Government borrows from increasingly wider sources as it sinks deeper into a debt trap), eventually include widespread services load shedding, strike action and civil unrest.								

Note: Event risk begins Q2.21. Source: Investec



MPC preview: South Africa is unlikely to see a hike at the May MPC meeting and we have moved our forecast 25bp to November, and lowered the overall trajectory

Tuesday 11th May 2021

Figure 4: Reuters April 2021 forecasts: Repo rate end period %

Forecast period	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	2021	2022	2023
SARB repo rate	3.50	3.50	3.50	3.75	4.00	4.00	3.50	4.00	4.75
Previous survey	3.50	3.50	3.50	3.75	3.75	na	3.50	4.00	4.50

Source: Reuters

meeting could see a 25bp hike in interest rates, this too may fade as SA is not likely to see a particularly quick, nor robust economic recovery, either this year or next.

The Momentum CFVI does show that “(t)he state of South African consumers’ personal finances continued to improve during the first quarter of 2021 (Q1 2021) on the back of a recovery in the income of especially middle- and higher income groups”, but is still below 50, and not yet showing consumers are financially secure. Furthermore, “(t)hey remain more vulnerable in terms of their ability to service debt and to save money, as both indices are still below the 50-point level.” “Key informants highlighted that financial vulnerability was prevalent in all income groups. However, the majority of the key informants (63.4%) perceived consumers earning less than R5 000 per month as most financially vulnerable.” “The trend witnessed since Q2 2020 that consumers are more worried about their finances than their health (due to Covid-19) continued in Q1 2021. Key informants also noted a significant drop over the past year in the level of control that consumers have over their lives and circumstances (personal empowerment). This contributed to consumers adjusting their financial behaviour, searching for additional income generating opportunities and empowering themselves with appropriate skills, financial and otherwise.”

Unemployment is high and rising as more enter the workforce. Interest rate hikes are more likely to be delayed, as the economy is weak, and will not recover this year or next to pre COVID-19 levels. The SARB stated in its last MPC statement that “(t)he implied policy rate path of the Quarterly Projection Model (QPM) indicates an increase of 25 basis points in each of the second and fourth quarters of 2021.” However, it will likely choose to ignore this or see the rate forecast shift out. Highlighting also “(a)s usual, the repo rate projection from the QPM remains a broad policy guide, changing from meeting to meeting in response to new data and risks.”

The SARB also highlighted, “(u)ntil vaccination is widespread and populations develop sufficient immunity to curb virus transmission, it is expected that these waves of infection will continue. As indicated by public health authorities, a third wave of virus infection is probable in coming months. Despite further expected waves, the start of vaccinations in many countries has lifted projections for global economic growth and boosted confidence significantly.” SA needs to see a much quicker vaccine rollout to lift its growth expectations and still remains vulnerable to further COVID-19 waves from new variants that the population have not been exposed to. Faster vaccine rollout and quicker regulatory reform would speed up SA’s growth prospects. The April IMF economic outlook showed an upwards revision for global 2021 growth

Figure 5: Reuters April 2021 forecasts: CPI % y/y

Forecast period	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	2021	2022	2023
CPI % y/y	4.5	4.4	4.4	4.5	4.4	4.2	4.1	4.3	4.4
Previous survey	4.2	3.9	4.1	4.3	4.4	na	3.8	4.2	4.5

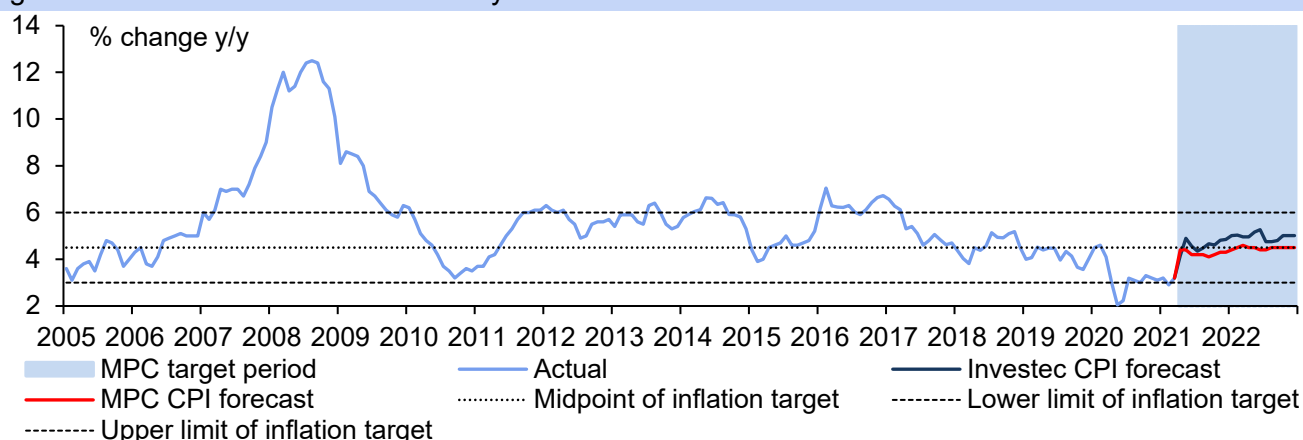
Source: Reuters



MPC preview: South Africa is unlikely to see a hike at the May MPC meeting and we have moved our forecast 25bp to November, and lowered the overall trajectory

Tuesday 11th May 2021

Figure 6: SA Consumer Inflation: history and forecasts



Source: Stats SA, SARB, Investec

Figure 7: Reuters May 2021 Foreign exchange rates poll: USDZAR

	1M	3M	6M	1Y
Release/Effective Date	31 May 2021	30 Jul 2021	29 Oct 2021	29 Apr 2022
Median	14.6000	14.7850	14.8865	15.2750
High	14.8900	15.5800	15.8300	16.2000
Low	14.2000	14.0000	13.8000	13.8000
No. of forecasts	23	26	26	24

Source: Reuters

Figure 8: SA Monetary Policy Committee (MPC) meeting dates for 2021

Month	Date	Forecast
May	18 th – 20 th	3.50
July	20 th – 22 nd	3.50
September	21 st – 23 rd	3.50
November	16 th – 18 th	3.75

Source: SA Reserve Bank, Investec

Figure 9: Reuters April 2021 forecasts: GDP

Forecast period	Q1.21	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	2021	2022	2023
GDP q/q %	0.4	1.3	1.6	1.9	2.1	2.0	2.0	3.7	2.1	2.1
Previous survey	0.4	1.5	1.9	2.0	2.0	1.9	na	3.6	2.1	2.1

Source: Reuters

Figure 10: Inflation forecasts	2020	2021	2022	2023	2024	2025	2026
Consumer Inflation (Av: %)	3.3	4.2	5.0	5.0	5.0	5.0	5.2
Producer Inflation (Av: %)	2.5	5.1	4.7	4.7	4.6	4.8	5.0
Salary & wage increases (%)	0.9	4.6	5.0	5.1	5.6	6.2	6.4

Source: Investec



MPC preview: South Africa is unlikely to see a hike at the May MPC meeting and we have moved our forecast 25bp to November, and lowered the overall trajectory

Tuesday 11th May 2021

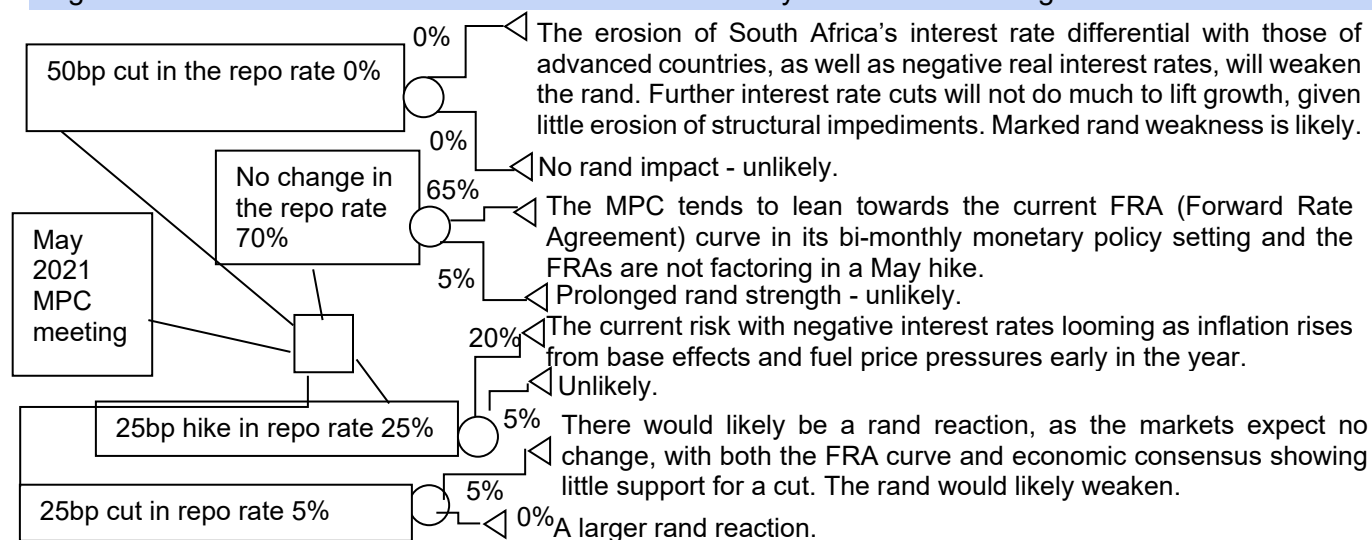
Figure 11: forecasts	2020	2021	2022	2023	2024	2025	2026
Repo Rate	3.50	3.75	4.00	4.25	4.50	4.75	5.00
Prime Overdraft Rate	7.00	7.25	7.50	7.75	8.00	8.25	8.50
SA rand bond	10.07	10.44	10.43	10.21	10.51	10.71	10.91
US Fed funds rate	0.25	0.25	0.25	0.50	1.00	1.50	2.00
UK Bank rate	0.10	0.10	0.10	0.50	1.00	1.50	2.00

Note: forecasts are % year-end. Source: Investec, SARB, IRESS

of 0.5%, to 6.0% y/y, and for South Africa to 3.1% y/y from their previous expectation of 2.8% y/y. While we had a forecast of 3.2% y/y already for 2021 GDP growth at the start of this year, we are in the process of assessing this and could revise it up to 3.6% y/y, although we would need the Q1.21 GDP outcome first, which is due to be released on 8th June. However, indications from a broad range of releases so far show that the Q1.21 GDP outcome will likely see markedly slower economic growth than in Q4.2020. This demonstrates the uneven and patchy nature of economic recovery. Today's release of manufacturing production, for example, shows current, not real, sales of manufactured products at 4.9% q/qsa (q/q seasonally adjusted) for Q1.21, versus 8.3% q/qsa in Q4.20, although in real terms, with inflation at 1.1% q/q in Q1.20 versus 0.5% q/q in Q4.20, manufacturing sales growth is even lower in Q1.21 than in Q4.20. Growth in the volume of manufacturing production was 0.3% q/qsa in Q1.21 versus 5.4% q/qsa in Q4.20, also showing a weaker quarter for Q1.21.

The South African Reserve Bank meets next week, with an interest rate decision, of no change, expected on 20th, but we believe the repo could rise in November. Rising inflation and stagnant interest rates risk negative interest rates fuelling rand weakness. The rand is not expected to strengthen forever, and indeed its PPP (purchasing power parity valuation) is closer to R12.00/USD than R14.00/USD, it has been driven in particular by improving commodity prices, although these have seen some recent stabilisation.

Figure 12: Decision tree for South Africa's 18th to 20th May 2021 MPC meeting



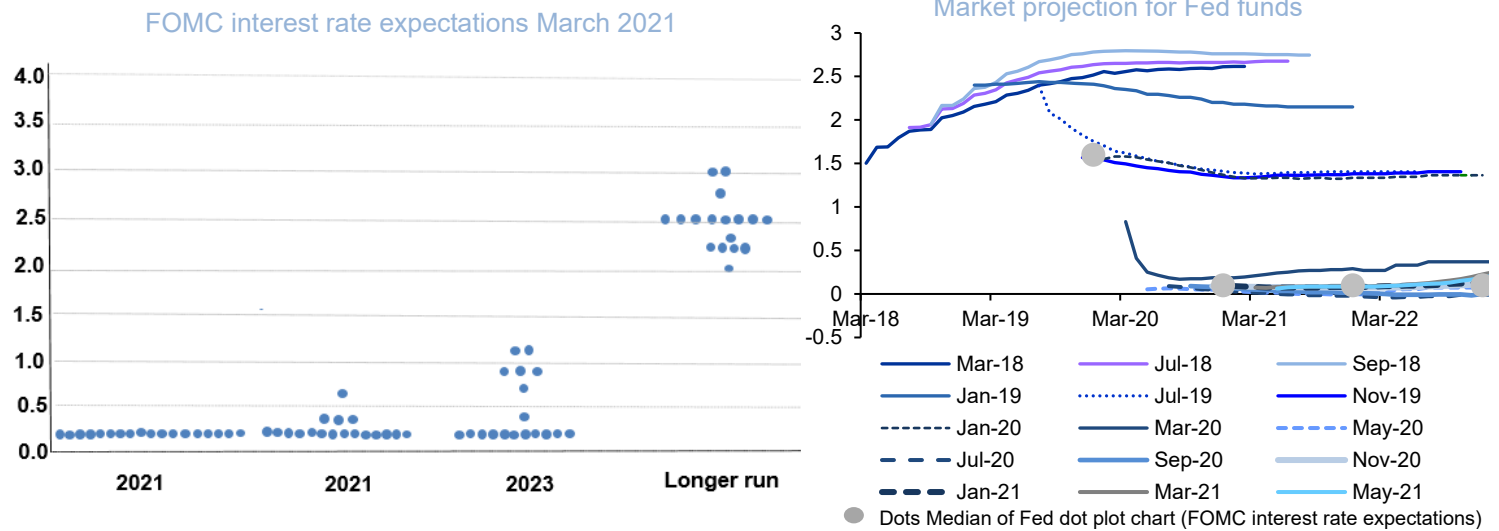
Key: squares are decision nodes, circles chance nodes and triangles end nodes. Source: Investec



MPC preview: South Africa is unlikely to see a hike at the May MPC meeting and we have moved our forecast 25bp to November, and lowered the overall trajectory

Tuesday 11th May 2021

Figure 13: US interest rate projections



Source: FOMC, Bloomberg

Note: in left graph each circle/dot is individual's judgement of appropriate fed funds rate per period

Figure 14: FOMC 2021 Meeting Schedule

June 15th – 16th*
 July 27th – 28th
 September 21st – 22nd*
 November 2nd – 3rd
 December 14th – 15th*

Source: Federal Reserve Bank

*Meeting associated with a Summary of Economic Projections

Figure 15: Forecast of international interest rates (% , end quarter)

	US Fed funds	Euro zone Refi rate	Euro zone deposit rate	UK Bank Rate
Current	0.00-0.25	0.00	-0.50	0.10
Q1.21	0.00-0.25	0.00	-0.50	0.10
Q2.21	0.00-0.25	0.00	-0.50	0.10
Q3.21	0.00-0.25	0.00	-0.50	0.10
Q4.21	0.00-0.25	0.00	-0.50	0.10
Q1.22	0.00-0.25	0.00	-0.50	0.10
Q2.22	0.00-0.25	0.00	-0.50	0.10
Q3.22	0.00-0.25	0.00	-0.50	0.10
Q4.22	0.00-0.25	0.00	-0.50	0.10

Source: Macrobond, Investec



Tuesday 11th May 2021

Figure 16: Interest rate forecast end rates

Date	Prime forecast	Prime less Inflation	Repo	Repo less Inflation
Jan 2020	9.75	5.3	6.25	1.8
Feb 2020	9.75	5.1	6.25	1.6
Mar 2020	8.75	4.6	5.25	1.1
Apr 2020	7.75	4.8	4.25	1.3
May 2020	7.25	5.2	3.75	1.7
Jun 2020	7.25	5.0	3.75	1.5
Jul 2020	7.00	3.8	3.50	0.3
Aug 2020	7.00	3.9	3.50	0.4
Sep 2020	7.00	4.0	3.50	0.5
Oct 2020	7.00	3.7	3.50	0.2
Nov 2020	7.00	3.8	3.50	0.3
Dec 2020	7.00	3.9	3.50	0.4
Jan 2021	7.00	3.8	3.50	0.3
Feb 2021	7.00	4.1	3.50	0.6
Mar 2021	7.00	3.8	3.50	0.3
Apr 2021	7.00	2.8	3.50	-0.7
May 2021	7.00	2.1	3.50	-1.4
Jun 2021	7.00	2.4	3.50	-1.1
Jul 2021	7.00	2.7	3.50	-0.8
Aug 2021	7.00	2.5	3.50	-1.0
Sep 2021	7.00	2.3	3.50	-1.2
Oct 2021	7.00	2.4	3.50	-1.1
Nov 2021	7.25	2.4	3.75	-1.1
Dec 2021	7.25	2.4	3.75	-1.1
Jan 2022	7.25	2.2	3.75	-1.3
Feb 2022	7.25	2.2	3.75	-1.3
Mar 2022	7.25	2.3	3.75	-1.2
Apr 2022	7.25	2.3	3.75	-1.2
May 2022	7.25	2.1	3.75	-1.4
Jun 2022	7.25	2.0	3.75	-1.5
Jul 2022	7.50	2.8	4.00	-0.7
Aug 2022	7.50	2.8	4.00	-0.7
Sep 2022	7.50	2.7	4.00	-0.8
Oct 2022	7.50	2.5	4.00	-1.0
Nov 2022	7.50	2.5	4.00	-1.0
Dec 2022	7.50	2.5	4.00	-1.0

Source: IRESS, Investec



Tuesday 11th May 2021

Figure 16: Interest rate forecast end rates (continued)

Date	Prime forecast	Prime less Inflation	Repo	Repo less Inflation
Jan 2023	7.50	2.5	4.00	-1.0
Feb 2023	7.50	2.6	4.00	-0.9
Mar 2023	7.50	2.5	4.00	-1.0
Apr 2023	7.50	2.5	4.00	-1.0
May 2023	7.75	2.8	4.25	-0.7
Jun 2023	7.75	2.9	4.25	-0.6
Jul 2023	7.75	2.5	4.25	-1.0
Aug 2023	7.75	2.5	4.25	-1.0
Sep 2023	7.75	2.5	4.25	-1.0
Oct 2023	7.75	2.6	4.25	-0.9
Nov 2023	7.75	2.6	4.25	-0.9
Dec 2023	7.75	2.7	4.25	-0.8
Jan 2024	7.75	2.7	4.25	-0.8
Feb 2024	7.75	2.7	4.25	-0.8
Mar 2024	8.00	3.0	4.50	-0.5
Apr 2024	8.00	2.9	4.50	-0.6
May 2024	8.00	2.8	4.50	-0.7
Jun 2024	8.00	2.8	4.50	-0.7
Jul 2024	8.00	3.0	4.50	-0.5
Aug 2024	8.00	3.0	4.50	-0.5
Sep 2024	8.00	3.1	4.50	-0.4
Oct 2024	8.00	3.3	4.50	-0.2
Nov 2024	8.00	3.2	4.50	-0.3
Dec 2024	8.00	3.2	4.50	-0.3
Jan 2025	8.25	3.4	4.75	-0.1
Feb 2025	8.25	3.0	4.75	-0.5
Mar 2025	8.25	2.8	4.75	-0.7
Apr 2025	8.25	3.1	4.75	-0.4
May 2025	8.25	3.3	4.75	-0.2
Jun 2025	8.25	3.3	4.75	-0.2
Jul 2025	8.25	3.3	4.75	-0.2
Aug 2025	8.25	3.3	4.75	-0.2
Sep 2025	8.25	3.3	4.75	-0.2
Oct 2025	8.25	3.3	4.75	-0.2
Nov 2025	8.25	3.4	4.75	-0.1
Dec 2025	8.25	3.2	4.75	-0.3

Source: IRESS, Investec



MPC preview: South Africa is unlikely to see a hike at the May MPC meeting and we have moved our forecast 25bp to November, and lowered the overall trajectory

Tuesday 11th May 2021

Figure 17: CPI forecast averages

Date	Index Base 2016	Annual y/y	Monthly m/m	Quarterly y/y	Calendar year y/y	
Jan 2020	114.1	4.5	0.3			
Feb 2020	115.2	4.6	1.0			
Mar 2020	115.6	4.1	0.3	4.4		
Apr 2020	115.0	3.0	-0.5			
May 2020	114.3	2.1	-0.6			
Jun 2020	114.9	2.2	0.5	2.4		
Jul 2020	116.4	3.2	1.3			
Aug 2020	116.6	3.1	0.2			
Sep 2020	116.8	3.0	0.2	3.1		
Oct 2020	117.1	3.3	0.3			
Nov 2020	117.1	3.2	0.0			
Dec 2020	117.3	3.1	0.2	3.2	2020	3.3
Jan 2021	117.7	3.2	0.3			
Feb 2021	118.5	2.9	0.7			
Mar 2021	119.3	3.2	0.7	3.1		
Apr 2021	119.8	4.2	0.4			
May 2021	119.9	4.9	0.1			
Jun 2021	120.1	4.6	0.2	4.5		
Jul 2021	121.5	4.3	1.1			
Aug 2021	121.8	4.5	0.3			
Sep 2021	122.2	4.7	0.4	4.5		
Oct 2021	122.5	4.6	0.2			
Nov 2021	122.7	4.8	0.2			
Dec 2021	123.0	4.8	0.2	4.8	2021	4.2
Jan 2022	123.6	5.0	0.5			
Feb 2022	124.5	5.0	0.7			
Mar 2022	125.2	5.0	0.6	5.0		
Apr 2022	125.7	5.0	0.4			
May 2022	126.1	5.2	0.3			
Jun 2022	126.5	5.3	0.3	5.1		
Jul 2022	127.2	4.7	0.6			
Aug 2022	127.6	4.7	0.3			
Sep 2022	128.1	4.8	0.4	4.8		
Oct 2022	128.6	5.0	0.4			
Nov 2022	128.9	5.0	0.2			
Dec 2022	129.1	5.0	0.2	5.0	2022	5.0

Source: StatsSA, Investec



MPC preview: South Africa is unlikely to see a hike at the May MPC meeting and we have moved our forecast 25bp to November, and lowered the overall trajectory

Tuesday 11th May 2021

Figure 17: CPI forecast averages (continued)

Date	Index Base	Annual y/y	Monthly m/m	Quarterly y/y	Calendar year	
Jan 2023	129.8	5.0	0.5			
Feb 2023	130.6	4.9	0.6			
Mar 2023	131.5	5.0	0.7	5.0		
Apr 2023	132.0	5.0	0.4			
May 2023	132.3	4.9	0.2			
Jun 2023	132.5	4.8	0.2	4.9		
Jul 2023	133.9	5.2	1.0			
Aug 2023	134.3	5.2	0.3			
Sep 2023	134.8	5.2	0.4	5.2		
Oct 2023	135.2	5.1	0.3			
Nov 2023	135.5	5.1	0.2			
Dec 2023	135.6	5.0	0.1	5.1	2023	5.0
Jan 2024	136.3	5.0	0.5			
Feb 2024	137.1	5.0	0.6			
Mar 2024	138.1	5.0	0.7	5.0		
Apr 2024	138.8	5.1	0.5			
May 2024	139.2	5.2	0.3			
Jun 2024	139.5	5.2	0.2	5.2		
Jul 2024	140.6	5.0	0.8			
Aug 2024	141.0	5.0	0.3			
Sep 2024	141.4	4.9	0.3	5.0		
Oct 2024	141.6	4.7	0.1			
Nov 2024	142.0	4.8	0.3			
Dec 2024	142.1	4.8	0.1	4.7	2024	5.0
Jan 2025	142.9	4.9	0.6			
Feb 2025	144.3	5.3	1.0			
Mar 2025	145.6	5.5	0.9	5.2		
Apr 2025	145.9	5.2	0.2			
May 2025	146.1	5.0	0.1			
Jun 2025	146.4	5.0	0.2	5.0		
Jul 2025	147.5	5.0	0.8			
Aug 2025	148.0	5.0	0.3			
Sep 2025	148.4	5.0	0.3	5.0		
Oct 2025	148.6	5.0	0.1			
Nov 2025	148.9	4.9	0.2			
Dec 2025	149.2	5.0	0.2	4.9	2025	5.0
Jan 2026	150.1	5.0	0.6			
Feb 2026	151.6	5.0	1.0			
Mar 2026	152.9	5.0	0.9	5.0		
Apr 2026	153.5	5.2	0.4			
May 2026	154.0	5.4	0.3			

Source: Stats SA, Investec

MPC preview: South Africa is unlikely to see a hike at the May MPC meeting and we have moved our forecast 25bp to November, and lowered the overall trajectory



Tuesday 11th May 2021

Disclaimer

For the purposes of this disclaimer, Investec shall include Investec Bank Limited, its ultimate holding company, a subsidiary (or a subsidiary of a subsidiary) of that entity, a holding company of that entity or any other subsidiary of that holding company, and any affiliated entity of any such entities. "Investec Affiliates" shall mean any directors, officers, representatives, employees, advisers or agents of any part of Investec.

The information and materials presented in this report are provided to you solely for general information and should not be considered as an offer or solicitation of an offer to sell, buy or subscribe to any securities or any derivative instrument or any other rights pertaining thereto.

The information in this report has been compiled from sources believed to be reliable, but neither Investec nor any Investec Affiliates accept liability for any loss arising from the use hereof or makes any representations as to its accuracy and completeness. Any opinions, forecasts or estimates herein constitute a judgement as at the date of this report. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied is made regarding future performance. The information in this report and the report itself is subject to change without notice. This report as well as any other related documents or information may be incomplete, condensed and/or may not contain all material information concerning the subject of the report; its accuracy cannot be guaranteed. There is no obligation of any kind on Investec or any Investec Affiliates to update this report or any of the information, opinions, forecasts or estimates contained herein.

Investec (or its directors, officers or employees) may, to the extent permitted by law, own or have a position or interest in the financial instruments or services referred to herein, and may add to or dispose of any such position or may make a market or act as a principal in any transaction in such financial instruments. Investec (or its directors, officers or employees) may, to the extent permitted by law, act upon or use the information or opinions presented herein, or research or analysis on which they are based prior to the material being published. Investec may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them. The value of any securities or financial instruments mentioned in this report can fall as well as rise. Foreign currency denominated securities and financial instruments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such securities or financial instruments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors.

This report does not contain advice, except as defined by the Corporations Act 2001 (Australia). Specifically, it does not take into account the objectives, financial situation or needs of any particular person. Investors should not do anything or forebear to do anything on the basis of this report. Before entering into any arrangement or transaction, investors must consider whether it is appropriate to do so based on their personal objectives, financial situation and needs and seek financial advice where needed.

No representation or warranty, express or implied, is or will be made in relation to, and no responsibility or liability is or will be accepted by Investec or any Investec Affiliates as to, or in relation to, the accuracy, reliability, or completeness of the contents of this report and each entity within Investec (for itself and on behalf of all Investec Affiliates) hereby expressly disclaims any and all responsibility or liability for the accuracy, reliability and completeness of such information or this research report generally.

The securities or financial instruments described herein may not have been registered under the US Securities Act of 1933, and may not be offered or sold in the United States of America or to US persons unless they have been registered under such Act, or except in compliance with an exemption from the registration requirements of such Act. US entities that are interested in trading securities listed in this report should contact a US registered broker dealer.

For readers of this report in South Africa: this report is produced by Investec Bank Limited, an authorised financial services provider and a member of the JSE Limited.

For readers of this report in United Kingdom and Europe: this report is produced by Investec Bank Plc ("IBP") and was prepared by the analyst named in this report. IBP is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the London Stock Exchange.

MPC preview: South Africa is unlikely to see a hike at the May MPC meeting and we have moved our forecast 25bp to November, and lowered the overall trajectory



Tuesday 11th May 2021

This report is not intended for retail clients and may only be issued to professional clients and eligible counterparties, and investment professionals as described in S19 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005.

For readers of this report in Ireland: this report is produced by Investec Bank plc (Irish Branch) and was prepared by the analyst named in this report. Investec Bank plc (Irish Branch) is authorised by the Prudential Regulation Authority in the United Kingdom and is regulated by the Central Bank of Ireland for conduct of business rules.

For readers of this report in Australia: this report is issued by Investec Australia Limited, holder of Australian Financial Services License No. 342737 only to 'Wholesale Clients' as defined by S761G of the Corporations Act 2001.

For readers of this report in Hong Kong: this report is distributed in Hong Kong by Investec Capital Asia Limited, a Securities and Futures Commission licensed corporation (Central Entity Number AFT069) and is intended for distribution to professional investors (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) only. This report is personal to the recipient and any unauthorised use, redistribution, retransmission or reprinting of this report (whether by digital, mechanical or other means) is strictly prohibited.

For readers of this report in India: this report is issued by Investec Capital Services (India) Private Limited which is registered with the Securities and Exchange Board of India.

For readers of this report in Singapore: this report is produced by IBP and issued and distributed in Singapore through Investec Singapore Pte. Ltd. ("ISPL"), an exempt financial adviser which is regulated by the Monetary Authority of Singapore as a capital markets services licence holder. This material is intended only for, and may be issued and distributed in Singapore only to, accredited investors and institutional investors, as defined in Section 4A of the Securities and Futures Act, Cap. 289 ("SFA"). This material is not intended to be issued or distributed to any retail or other investors. ISPL may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Singapore recipients of this document should contact ISPL at the above address in respect of any matters arising from, or in connection with, this report.

For readers of this report in Canada: this report is issued by IBP, and may only be issued to persons in Canada who are able to be categorised as a "permitted client" under National Instrument 31-103 Registration Requirements and Exemptions or to any other person to whom this report may be lawfully directed. This report may not be relied upon by any person other than the intended recipient.

The distribution of this document in other jurisdictions may be prohibited by rules, regulations and/or laws of such jurisdiction. Any failure to comply with such restrictions may constitute a violation of United States securities laws or the laws of any such other jurisdiction.

This report may have been issued to you by one entity within Investec in the fulfilment of another Investec entity's agreement to do so. In doing so, the entity providing the research is in no way acting as agent of the entity with whom you have any such agreement and in no way is standing as principal or a party to that arrangement.

This publication is confidential for the information of the addressee only and may not be reproduced in whole or in part, copies circulated, or disclosed to another party, without the prior written consent of an entity within Investec. Securities referred to in this report may not be eligible for sale in those jurisdictions where an entity within Investec is not authorised or permitted by local law to do so. In the event that you contact any representative of Investec in connection with receipt of this report, including any analyst, you should be advised that this disclaimer applies to any conversation or correspondence that occurs as a result, which is also engaged in by Investec and any relevant Investec Affiliate solely for the purposes of providing general information only. Any subsequent business you choose to transact shall be subject to the relevant terms thereof. We may monitor e-mail traffic data and the content of email. Calls may be monitored and recorded. Investec does not allow the redistribution of this report to non-professional investors or persons outside the jurisdictions referred to above and Investec cannot be held responsible in any way for third parties who effect such redistribution or recipients thereof. © 2019