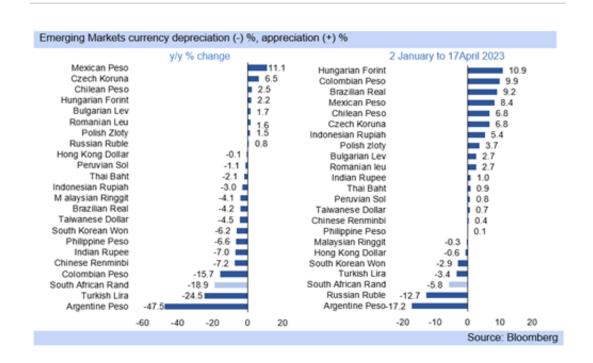
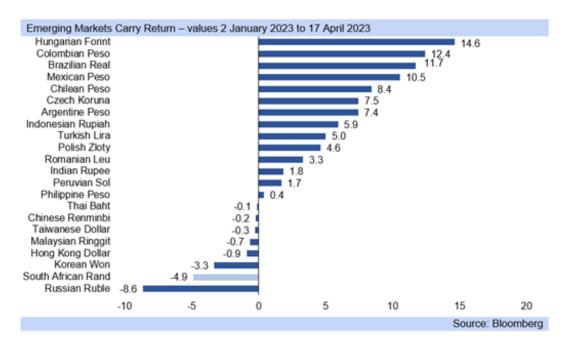
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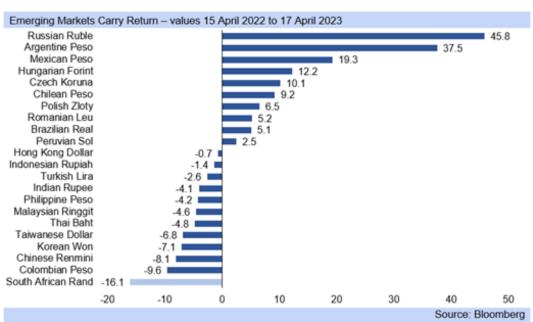


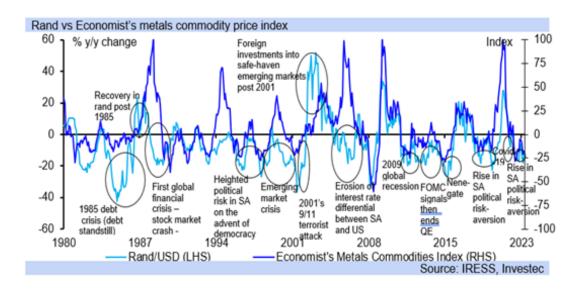
Rand note: rand gains as US rate hike enthusiasm wanes

Monday 17 April 2023







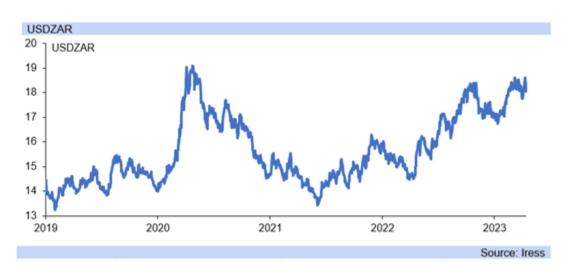


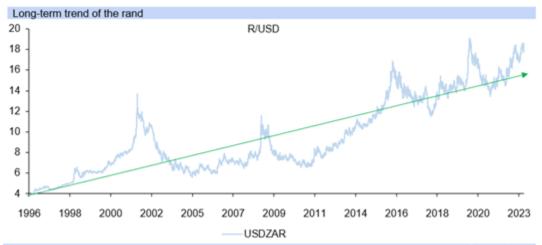
Expected C		20				20	24		2025			
	Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25	Q4.25
JSD/ZAR	17.76	17.95	17.75	17.55	17.20	17.40	17.60	17.30	17.00	17.00	17.10	16.90
3BP/ZAR	21.59	22.26	22.19	22.11	22.02	22.53	22.97	22.66	22.10	22.10	22.23	21.97
UR/ZAR	19.06	19.57	19.70	19.83	19.78	20.36	20.77	20.41	19.89	19.89	20.01	19.77
AR/JPY	7.45	7.19	7.10	7.12	7.18	7.01	6.88	6.94	7.88	7.76	7.66	7.69
CHFZAR	19.20	19.66	19.51	19.16	18.75	19.03	19.33	19.08	18.68	18.68	18.79	18.57
AUDZAR	12.14	12.12	12.25	12.46	12.38	12.53	12.76	12.63	12.92	13.09	13.51	13.35
BBP/USD	1.23	1.24	1.25	1.25	1.26	1.27	1.29	1.31	1.30	1.30	1.30	1.30
UR/USD	1.08	1.10	1.11	1.12	1.13	1.14	1.16	1.18	1.17	1.17	1.17	1.17
JSD/JPY	130	129	126	125	124	122	121	120	123	125	128	130
								Note	average	s, Sourc	e: Investe	ec, Iress

- The rand moved stronger last week, as expectations of sharp interest rate hikes in the US continued to fade. The rand temporarily pierced R18.00/USD on Friday, and ran near the key resistance level of R18.00/USD this morning.
- Sentiment on US growth has dimmed for this year, driving the subsidence in interest
  rate hike expectations, along with concerns still over the impact of the sharply higher
  US rate hike cycle to date on the health of the US banking system.
- The IMF warns "(b)elow the surface, however, turbulence is building, and the situation is quite fragile, as the recent bout of banking instability reminded us ... the sharp policy tightening ... is hav(ing) serious side effects for the financial sector".
- "Financial institutions with excess leverage, credit risk or interest rate exposure, too
  much dependence on short-term funding, or located in jurisdictions with limited fiscal
  space could become the next target."
- "So could countries with weaker perceived fundamentals. A sharp tightening of global financial conditions—a "'risk-off" shock—could have a dramatic impact on

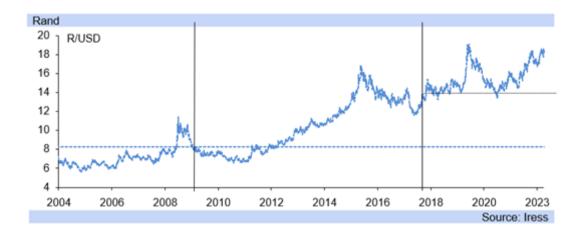
- credit conditions and public finances especially in emerging market and developing economies".
- "(W)ith large capital outflows, a sudden increase in risk premia, a dollar appreciation in a rush toward safety, and major declines in global activity amid lower confidence, household spending, and investment."
- "In such a severe downside scenario, global GDP per capita could come close to falling— an outcome whose probability we estimate at about 15 percent." Markets are cautious as the full effect of rate hike cycles have not been felt yet.
- "We are therefore entering a perilous phase during which economic growth remains low by historical standards and financial risks have risen, yet inflation has not yet decisively turned the corner."
- With financial markets already concerned by higher interest rates, which has driven varying degrees of risk-off sentiment in global financial markets over the past twelve months, the cautious tone taken by multilaterals recently has been seen as positive.

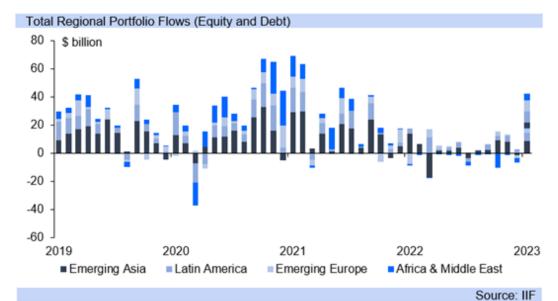
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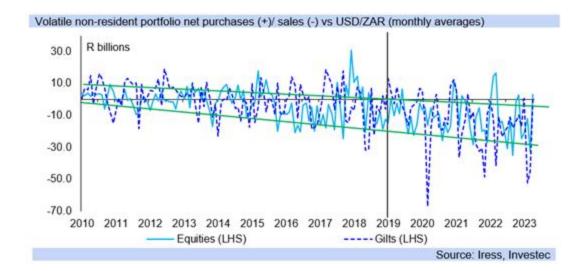




Source: Iress







- That is, after Easter last year the IMF and a number of other multilateral organisations, along with key financial institutions and global research houses, rapidly downgraded economic growth expectations on a rapid rate hike cycle.
- Concerns over recession also built from April last year, increasing towards October, and adding to the risk-averse global financial market environment and so EM currency weakness, particularly for the rand.
- Additionally, the global economy has not weakened as much as has been feared, nor has the US economy in particular, which has also calmed market sentiment somewhat this year.
- Indeed, overall the IMF is sounding more guardedly cheerful about economic prospects than a year ago, although it is nevertheless warning of high risks, but it also acknowledges the better than expected strength of economies.
- "Activity too shows signs of resilience as labor markets remain historically tight in most advanced economies ... both output and inflation estimates have been revised upward for the past two quarters, suggesting stronger-than-expected demand."
- The IMF, other multilateral organisations, along with key financial institutions and global research houses are not sounding severe alarms over the economic outlook as they did a year ago with widescale, severe downgrades of economic forecasts.
- The outlook is still seen to be risky, but most of the commonly perceived risk has been factored in, compared to a year ago where economic growth forecasts made a sudden about turn substantially lower, fueling strong market concerns.
- The rand has weakened against the US dollar this afternoon, after reaching R18.02/USD, rebuffed from the key resistance level of R18.00/USD, as the US dollar regained some lost ground.

 Looking forward, the direction of the rand will depend heavily on the movement of the USD dollar in the currency pair. A more definitive end to the US rate hike cycle would spur ZAR strength against the USD, although a May US hike is still a possibility.

Economic	Scenarios: note updated p	The second second second							
		Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24
Extreme Up case	USD/Rand (average) Repo rate (end rate)	17.76 7.75	16.60 6.75	15.90 6.50	15.50 6.25	15.00 6.00	14.60 6.00	14.50 5.50	14.40 5.50
1%	SA economic growth very (structural constraints era compensation. High busine drives debt to low ratios favourable weather conditi ratings to investment grade	dicated), str ess confidence of 2000s. V ons. Strong	rong prop ce and fixe /ery subdi global gro	erty right d investmed dome wth, risk-	s, no nati ent growth estic inflat on, commo	onalisation n, substantion on ex odity boom	n or exp tial FDI, fi treme ran n. Rapid u	ropriation scal consi nd streng apgrades	without olidation th, very of credit
Up case		Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24
1%	USD/Rand (average)	17.76	17.20	17.40	17.00	16.90	17.10	16.90	16.60
	Repo rate (end rate)	7.75	7.00	7.00	7.00	6.50	6.50	6.50	6.00
	Economic growth average	s 3.3% over	five-year	period, b	ut lifts tov	vards 5.09	6 y/y by	period en	d, rising
	markets risk-on. No natio favourable weather and glo privatisation. Credit rating transition to renewable en- change impact on econom	obal condition upgrades ergy away fro	ns, rand st on fiscal om fossil f	rength, lo consolida uel usage	wer state- tion, mari compreh	controlled cedly low ensive me	price infla	ition on in	creased bstantial
		04.33	02.23	03.33	04.23	04.24	0224	03.24	04.24
Base	HCD/Pand (suprage)	Q1.23	Q2.23 17.95	Q3.23	Q4.23	Q1.24	Q2.24 17.40	Q3.24 17.60	Q4.24
	USD/Rand (average)	17.76 7.75	7.75	17.75 7.75	17.55 7.50	7.00	7.00	7.00	17.30 6.50
				1.15	7.50	7.00	7.00		0.00
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	Economic growth modest ( global financial market risk	1.9% average s sentiment in ng to positive at. Inflation is energy and nate change	s neutral to e outlooks impacted slow move on the ec	ears) but o positive s, then lik by the co re away fo onomy ar	South All ely credit urse of we om fossil e modestly	rica follow rating upg rather patt fuel usag y impleme	rs fiscal c grades. The erns via fi e occurs inted. The	onsolidati ne rand si ood price and mea Russian	on (deb tabilises inflation sures to /Ukraine
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Lite domestic) Down case	Economic growth modest ( global financial market risk to GDP stabilisation) leads then strengthens somewhat a transition to renewable alleviate the impact of clim conflict eases and does not use the conflict eases and does not ease and does not use the conflict eases and does not use the conflict eases and does not ease and does not e	1.9% average sentiment is ing to positivat. Inflation is energy and nate change it exacerbate.  Q1.23 17.76 7.75 average overcircity and cession. Increase expropriating inflation ergy or measure.  Q1.23 17.76 7.75 global finare.  FF coalition nument borro.  CCC grade, ergy and to sion on very a sentiment overy.	ge over 5 y s neutral the outflooks impacted slow move on the eco. Little exp Q2.23 18.90 8.00 or 5-years) water she reased station of priving on unfavorsures to all Q2.23 19.30 9.00 ocial crisis in 2024, laws from in increased sufficient nadverse w	ears) but o positives, then like by the core away fire for onormy are proportion of the core away fire for onormy are proportion of the core away fire for one was a fire for one core as for or able welleviate click of the core as ingly a firsk of deneasures: eather co	South All ely credit urse of we com fossil e modestly i without c  Q4.23 19.00 9.00 ward left li ry weak ra ngs, risk o property v ather cond mate char  Q4.23 20.00 10.50 cient mone ad, severe v wider sou to alleviate nditions, s	rica follow rating upge ather patt fuel usage y impleme ompensat Q1.24 18.70 9.00 eaning potalicapacit foredit rat without collitions, mange. Lengt Q1.24 20.20 10.50 etary and a services sacrees, SAC seeper a the imparence of t	os fiscal corades. The error via fise occurs inted. The ion. Tempo Q2.24 19.00 9.00 licies, Bury, civil an ing down mpensation for the ion. Tempo Q2.24 20.50 11.00 other supload sheer and a deect of clima di weakned weakned weakned weakned sing into a deect of clima di weakned weakned in the interest of the ion.	onsolidation rand significant	on (deb tabilises inflation sures to /Ukraine by listing Q4.24 18.90 9.00 inflaence I unrest, ses, then negative ss. Little Q4.24 21.20 11.50 estically vere civil all three all three all three all three con the

Lite Down (	Case: Ex	change R	tate forec	asts								
		2024					2025					
	Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25	Q4.25
USD/ZAR	17.76	18.90	19.30	19.00	18.70	19.00	19.10	18.90	18.60	18.70	18.70	18.60
GBP/ZAR	21.59	23.44	24.13	23.94	23.94	24.61	24.93	24.76	24.18	24.31	24.31	24.18
EUR/ZAR	19.06	20.60	21.42	21.47	21.51	22.23	22.54	22.30	21.76	21.88	21.88	21.76
ZAR/JPY	7.45	6.83	6.53	6.58	6.60	6.42	6.34	6.35	7.20	7.06	7.01	6.99
CHFZAR	19.20	20.70	21.21	20.74	20.38	20.78	20.97	20.84	20.44	20.55	20.55	20.44
AUDZAR	12.14	12.76	13.32	13.49	13.46	13.68	13.85	13.80	14.14	14.40	14.77	14.69
GBP/USD	1.23	1.24	1.25	1.25	1.26	1.27	1.29	1.31	1.30	1.30	1.30	1.30
EUR/USD	1.08	1.10	1.11	1.12	1.13	1.14	1.16	1.18	1.17	1.17	1.17	1.17
USD/JPY	130	129	126	125	124	122	121	120	123	125	128	130
								Note: av	verages,	Source:	Investe	c, Iress

octore bot	ere Down Case: Exchange Rate forecasts 2023					20	24		2025			
	Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25	Q4.25
USD/ZAR	17.76	19.30	19.70	20.00	20.20	20.50	20.80	21.20	20.90	20.90	21.00	20.80
GBP/ZAR	21.59	23.93	24.63	25.20	25.86	26.55	27.14	27.77	27.17	27.17	27.30	27.04
EUR/ZAR	19.06	21.04	21.87	22.60	23.23	23.99	24.54	25.02	24.45	24.45	24.57	24.34
ZAR/JPY	7.45	6.68	6.40	6.25	6.11	5.95	5.82	5.66	6.41	6.32	6.24	6.25
CHFZAR	19.20	21.14	21.65	21.84	22.02	22.42	22.84	23.38	22.97	22.97	23.08	22.86
AUDZAR	12.14	13.03	13.59	14.20	14.54	14.76	15.08	15.48	15.88	16.09	16.59	16.43
GBP/USD	1.23	1.24	1.25	1.25	1.26	1.27	1.29	1.31	1.30	1.30	1.30	1.30
EUR/USD	1.08	1.10	1.11	1.12	1.13	1.14	1.16	1.18	1.17	1.17	1.17	1.17
USD/JPY	130	129	126	125	124	122	121	120	123	125	128	130

Up Case: E	xchange	Rate for	ecasts									
	2023					20	24		2025			
	Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25 (	24.25
USD/ZAR	17.76	17.20	17.40	17.00	16.90	17.10	16.90	16.60	16.30	16.30	16.40	16.20
GBP/ZAR	21.59	21.33	21.75	21.42	21.63	22.14	22.05	21.75	21.19	21.19	21.32	21.06
EUR/ZAR	19.06	18.75	19.31	19.21	19.44	20.01	19.94	19.59	19.07	19.07	19.19	18.95
ZAR/JPY	7.45	7.50	7.24	7.35	7.31	7.13	7.16	7.23	8.22	8.10	7.99	8.02
CHFZAR	19.20	18.84	19.12	18.56	18.42	18.71	18.56	18.31	17.91	17.91	18.02	17.80
AUDZAR	12.14	11.61	12.01	12.07	12.17	12.31	12.25	12.12	12.39	12.55	12.96	12.80
GBP/USD	1.23	1.24	1.25	1.25	1.26	1.27	1.29	1.31	1.30	1.30	1.30	1.30
EUR/USD	1.08	1.10	1.11	1.12	1.13	1.14	1.16	1.18	1.17	1.17	1.17	1.17
USD/JPY	130	129	126	125	124	122	121	120	123	125	128	130
								Note	e averages	Source	Investec.	Iress

	2023					20	24		2025			
	Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25	Q4.25
USD/ZAR	17.76	16.60	15.90	15.50	15.00	14.60	14.50	14.40	14.30	14.40	14.50	14.30
GBP/ZAR	21.59	20.58	19.88	19.53	19.20	18.91	18.92	18.86	18.59	18.72	18.85	18.59
EUR/ZAR	19.06	18.09	17.65	17.52	17.25	17.08	17.11	16.99	16.73	16.85	16.97	16.73
ZAR/JPY	7.45	7.77	7.92	8.06	8.23	8.36	8.34	8.33	9.37	9.17	9.03	9.09
CHFZAR	19.20	18.18	17.47	16.92	16.35	15.97	15.92	15.88	15.71	15.82	15.93	15.71
AUDZAR	12.14	11.21	10.97	11.01	10.80	10.51	10.51	10.51	10.87	11.09	11.46	11.30
GBP/USD	1.23	1.24	1.25	1.25	1.26	1.27	1.29	1.31	1.30	1.30	1.30	1.30
EUR/USD	1.08	1.10	1.11	1.12	1.13	1.14	1.16	1.18	1.17	1.17	1.17	1.17
USD/JPY	130	129	126	125	124	122	121	120	123	125	128	130