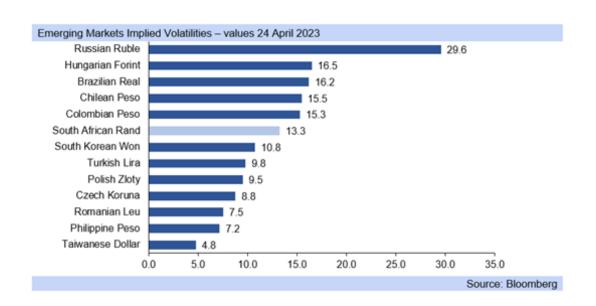
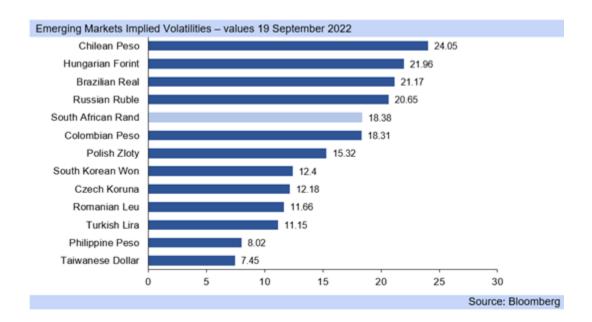
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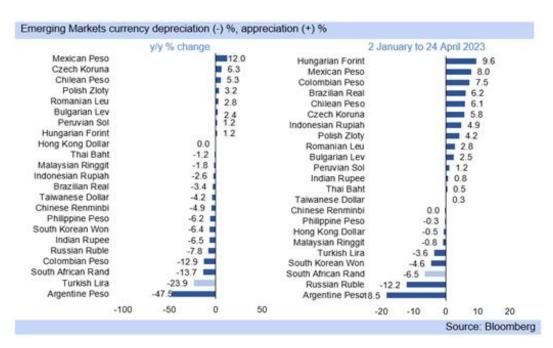


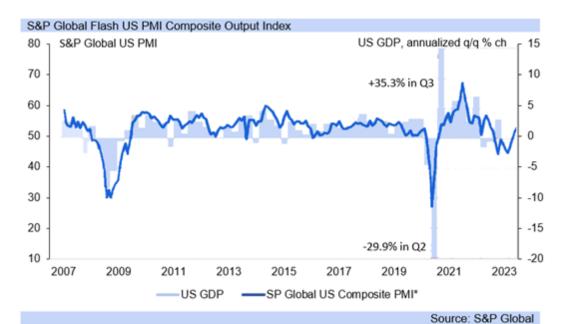
Rand note: ticks weaker on recent US economic resilience, ongoing recession watch

Monday 24 April 2023









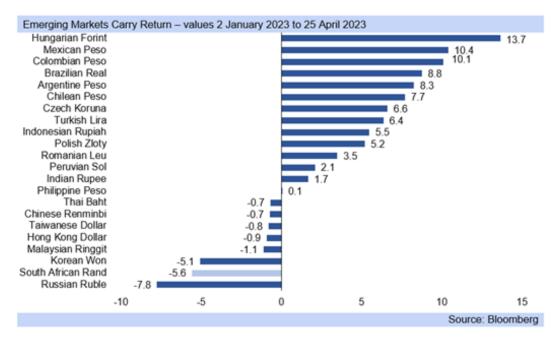
Note: "Manufacturing only pre-October 2009

Expected C	case: Exc	hange Ra	ate foreca	asts								
		20	23			20	24			202	5	
	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	17.95	17.75	17.55	17.20	17.40	17.60	17.30	17.00	17.00	17.10	16.90
GBP/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
EUR/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
ZAR/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
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:	averages	Source	Invested	Iress

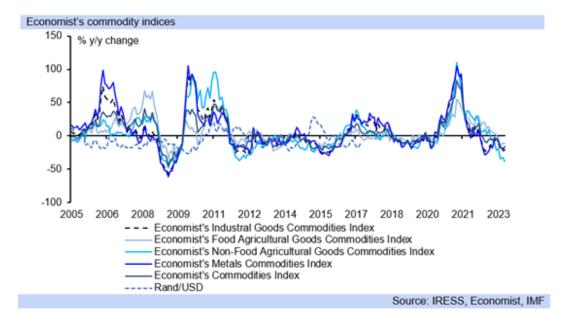
- Markets continue to worry that the US will fall into recession in H2.23, as its interest
  rate hike cycle overshoots. With at least a two to three quarter lag between interest
  rate changes and the impact on the economy, further hikes entrench these concerns.
- With mixed US economic data, there is (lowish) volatility, with the domestic currency reaching at R18.20/USD today, on some US dollar strength on better than expected S&P PMI data on Friday, from a recent low of R17.42/USD on Friday.
- The US PMI data in particular showed upwards price pressures at the production level which increased some expectations of US interest rate hikes, and so aided the US dollar, although by midday the rand had pulled back to R18.11/USD.

- Friday's US PMI report highlighted that "(s)tronger demand conditions support sharper growth in April, but also bring renewed inflation momentum", as US business activity was seen to have quickened in April across the services and manufacturing sectors.
- "Output rose at the sharpest pace for almost a year, as stronger demand conditions, improving supply and a steeper uptick in new orders supported the expansion. ...
   The increase in output was the third in as many months."
- "The faster rise in activity was broad-based, with service sector firms registering the sharper rate of growth ... linked this to greater customer confidence and ... (s)ome ... improvement in their ability to hire staff had boosted output."
- "April data indicated a pick-up in rates of input cost and output charge inflation.
   Operating expenses rose at a marked and historically elevated pace that was the steepest for three months, seen as contributing to core inflation".
- In the US, core CPI inflation (CPI excluding food and energy) rose to 5.6% y/y in the latest print, up from 5.5% y/y, obdurately high, and the PMI data raised some concerns it would further support Fed hawkishness. The core PCE deflator is due this week.
- Financial markets are factoring in almost a 100% change of a 25bp hike in the US next week, while expectations of a recession are a lot lower, at 44% according to NABE (National Association of Business Economics). Uncertainty is elevated.

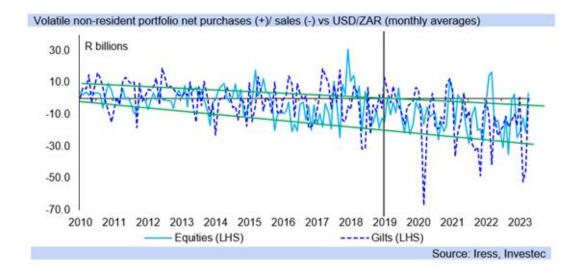
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- That is, the rand's weakness over the past year has been driven by increased uncertainty and the downgrades of the global economic outlook, as uncertainty elevated, although another sharp depreciation in the rand is not the base case.
- With global risks, and particularly a meaningful chance of US recession factored in (although likely not fully), the rand remains at risk of further weakness, but is not expected to lose another R4/USD over the next twelve months.
- The NABE recession outlook is down from 54% in January, while Forbes' recession tracker shows "more and more of our data points are drifting into neutral territory rather than remaining positive."
- "This could mean the U.S. is drifting closer toward a recession as well, ... however, ... not every data point we rank above would be weighted equally in deciding whether the U.S. is in recession."
- "If GDP can continue growing—which experts seem to believe is unlikely—while inflation moderates, we may be able to avoid a recession and come in for what the Fed has referred to as a soft landing."
- "Even the U.S. unemployment rate, which figures heavily into when a recession might be called, is starting to weaken. The U.S. may not be in a recession yet, but things aren't looking good."
- Sentiment, amongst other factors, has a part to play in whether the US achieves the NBR defined recession (National Bureau of Economic Research), of roughly a contraction in the business cycle (after the peak), with a number of areas of focus.

- "Monthly US data on payroll employment, civilian employment, industrial production and the unemployment rate are used to define a recession-dating algorithm that nearly perfectly reproduces the NBER official peak and trough dates."
- Activity in the US business cycle is expected to slow in H2.23, but whether it will be
  enough for a NBER defined recession is not clear, giving hope for a 'soft-landing',
  although much will also depend on global financial market risk perceptions for the
  rand.

Economic	The second secon												
		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	14.50 5.50	14.40 5.50				
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		04.22	02.22	02.22	04.22	04.24	02.24	02.24					
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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				
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	change impact on econom	ly. Grey liste	u ioi iess	uran eigni	een monu	115.							
		Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24				
Base	USD/Rand (average)	17.76	17.95	17.75	17.55	17.20	17.40	17.60	17.30				
case	Repo rate (end rate)	7.75	7.75	7.75	7.50	7.00	7.00	7.00	6.50				
- CO		Economic growth modest (1.9% average over 5 years) but lifts towards 3.0% y/y by end period on reforms,											
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Lite Down Case: Exchange Rate forecasts														
		20	23			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	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		

Severe Dov	wn Case:	Exchang	e Rate fo	recasts									
		20	23			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	
								Note	averages	Source	Investor	Irees	

Up Case: E	xchange	Rate fore	ecasts										
		20	23			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	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	average	s, Source	e: Investe	ec, 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	
								Note:	averages.	Source	Invested	Iress	