

Rand note: rand trades around R14.70/USD, with some subsidence of risk-off in global financial markets but noise from the final run-up to local elections and negative Fitch commentary sees some weakness

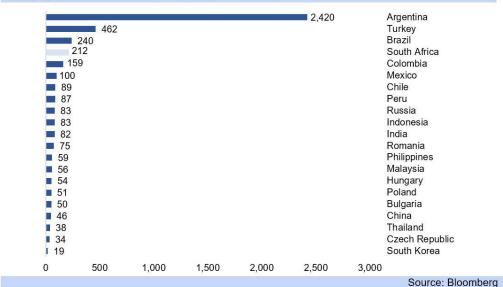
Expected C	ase: Exc	change R	ate forec	asts									
		20	21			20	22		2023				
	Q1.21	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	Q4.22	Q1.23	Q2.23	Q3.23	Q4.23	
USD/ZAR	14.96	14.13	14.64	14.70	14.55	14.75	15.00	14.80	14.65	15.05	15.45	14.95	
GBP/ZAR	20.63	19.75	20.18	20.41	20.88	21.61	22.35	22.42	21.68	21.82	22.09	21.38	
EUR/ZAR	18.03	17.03	17.26	17.40	17.53	18.00	18.60	18.50	18.31	18.81	19.31	18.69	
ZAR/JPY	7.09	7.75	7.52	7.47	7.35	7.12	6.93	7.03	7.17	7.11	6.93	7.16	
CHFZAR	16.52	15.51	15.95	15.79	15.65	15.92	16.32	16.09	16.10	16.54	16.98	16.43	
AUDZAR	11.56	10.88	10.76	10.84	10.91	11.06	11.40	11.40	11.43	11.74	12.05	11.66	
GBP/USD	1.38	1.40	1.38	1.39	1.43	1.46	1.49	1.51	1.48	1.45	1.43	1.43	
EUR/USD	1.21	1.21	1.18	1.18	1.21	1.22	1.24	1.25	1.25	1.25	1.25	1.25	
USD/JPY	106	109	110	110	107	105	104	104	105	107	107	107	
								Note	: average	s, Source	e: Investe	ec, Iress	



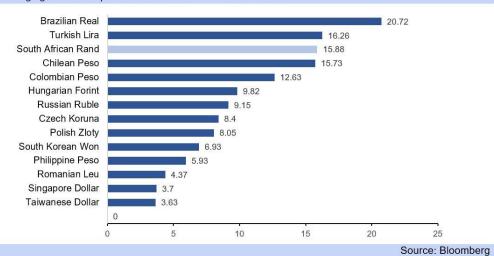
Economi														
	c Scenarios: note interes	st rate hikes	pushed o	out in exp	ected ca	se								
		Q1.21	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	Q4.22					
Extreme	USD/Rand (average)	14.96	14.13	14.64	13.80	13.30	13.00	12.90	12.80					
Jp case	Repo rate (end rate)	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25					
1%	Impact of Covid-19 pandemic very rapidly resolved - economic growth of 3–5%, then 5-7% for SA. Go													
	governance, growth-creating reforms (structural constraints overcome), strengthening of property rights													
	individuals obtain title dee													
	growth, substantial FDI in													
	2000s). Strong global grov	wth, commod	ty boom. S	Stabilisatio	on of credi	t ratings, t	hen credi	t rating up	ogrades					
100000		04.04	00.04	00.04	0101	04.00	00.00	00.00	0100					
Jp case	HODID	Q1.21	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	Q4.22					
2%	USD/Rand (average)	14.96 3.50	14.13 3.50	14.64 3.50	14.00 3.50	13.50 3.50	13.40 3.50	13.20	13.00					
	Repo rate (end rate)								A STATE OF THE STA					
	Quick rebound from Covi worked down. No further of													
	strong fiscal consolidation													
	quickly returns to trend of													
	unused, labour tenants' a													
	not have a negative effect								,					
		Q1.21	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	Q4.22					
Base	USD/Rand (average)	14.96	14.13	14.64	14.70	14.55	14.75	15.00	14.80					
ase	Repo rate (end rate)	3.50	3.50	3.50	3.50	3.75	4.00	4.00	4.25					
48%	Recovery from the sharp													
	monetary and other polic													
	then improves_,Expropria the economy or on marks													
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					100000000000000000000000000000000000000				ASSESSED FOR					
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		P stabilisation Q1.21	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	Q4.22					
Lite		P stabilisation Q1.21 14.96	Q2.21 14.13	Q3.21 14.64	Q4.21 15.50	16.00	16.65	Q3.22 16.90	Q4.22 17.00					
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Down	usb/Rand (average) Reporate (end rate) The international environs	P stabilisation Q1.21 14.96 3.50 ment (includin	Q2.21 14.13 3.50 ng risk sen	Q3.21 14.64 3.50 timent) is	Q4.21 15.50 3.75 that of the	16.00 4.00 base cas	16.65 4.25 se. South	Q3.22 16.90 4.50 Africa fail	Q4.22 17.00 4.75 Is to see					
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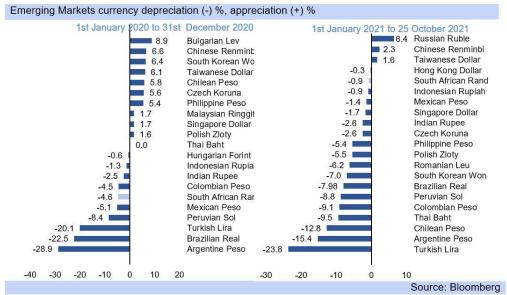
Emerging Markets CDS Spreads - values 25 October 2021



Emerging Markets Implied Volatilities - values 25 October 2021





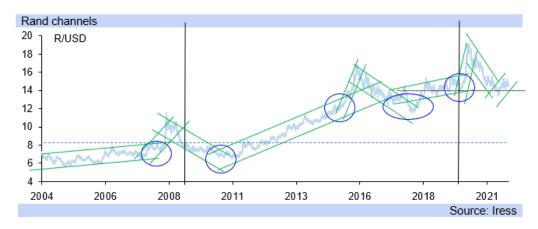


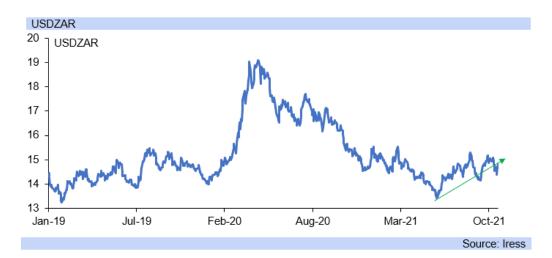
- South Africa's risk of credit rating downgrades remains relatively high (we continue to place it at 43%) as seen by ramp up in borrowings, while fractured politics pulling in different directions, exacerbating the difficulty government has in overcoming structural constraints.
- The ruling party has attempted to move quicker on structural reforms, but opposition to this from both inside and outside the party has seen little actually occur in moving the country into a freer market state needed to accelerate business dynamism, and so erode unemployment.
- While government has made some progress in improving the ease of doing business and has also made inroads into the repair and rebuilding of many SOE's and government institutions hollowed out by state capture, the enormous damage makes it a lengthy, ongoing task.
- Consequently, Fitch is reported to have said it expects South Africa to see weak gains in tackling the very high unemployment rate, particularly for youth, given the many structural constraints to job creation, including the poor educational system.
- Furthermore, "Fitch expects (South Africa's) unemployment rate to average 29.9% over our long-term forecast period to 2030, due to problems in the education system and labour market rigidities".
- It expected a deterioration in SA's fiscal situation, projecting "gross government debt to reach 82.9% of GDP by 2026, increasing from 69.4% of GDP in 2020," which it said would negatively affect the economy and lengthen the path to achieving investment-grade again.



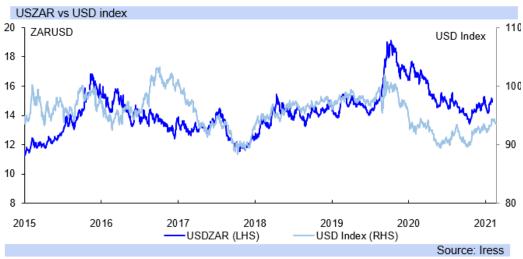
- Fitch adds that while it expects some progress, as government has allowed private power generators to provide more capacity, most of these additions would only begin in H2.22 which means the economy would continue to see power supply constraints in the interim.
- Consequently, Fitch expects GDP growth of 2.5% y/y for SA next year, after its rebound of 5.0% y/y this year, with a slowdown in global economic growth likely next year which would detract from SA's performance as well.
- The rand is facing headwinds this week, and currently averages R14.82/USD so far this
 month. However October often sees some churn for risk assets, with the rand having
 recorded a low of R14.35/USD and a high of R15.20/USD in the past three and almost a
 half weeks.

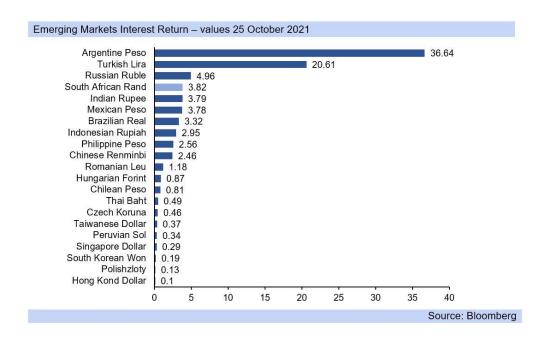
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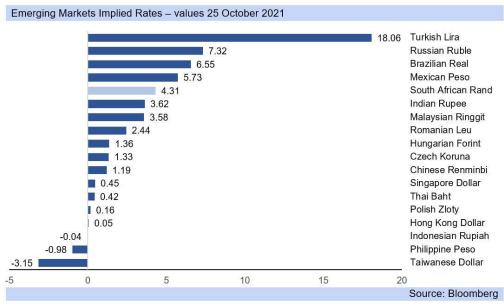












- Campaigning for SA's municipal elections is likely to be intense this week, but fade over the weekend as special voting begins on Saturday, and general voting on Monday 1st November. A recent poll shows the ANC is unlikely to obtain a majority in any of Gauteng's three metros.
- Such has been the waning support to the ANC since 2009, as the 'lost decade' saw
 economic growth fall and unemployment rise substantially. Zuma gained Presidency after
 Mbeki achieved a drop in unemployment to 21%, and exited in 2018 with unemployment
 at 27%.
- However, structural damage to the economy, such as the wholly insufficient electricity supply, saw unemployment continue to climb as the economy was constrained from achieving faster rates of growth, with the country's jobless rate reaching 29% in 2019, and 30% in Q1.21.
- Economic growth dropped to 0.1% qqsa by Q1.20 (or 0.7% qqsaa), from above 5.0% during the Mbeki period, and it is reported the ANC has now included ex-Presidents Mbeki and Motlanthe in its campaigning as voters identify unemployment as their biggest concern.
- However voter appetite is low, and a low turnout at the polls is expected. This has likely
 inspired politicians to intensify campaigning but risks a deterioration in business
 confidence if it becomes extreme, and specifically anti the private business sector and so
 anti job creation.
- Post elections, business confidence would be at risk too on a marked swing to the left/ to
 extreme left in the results, as left wing political parties are typically anti-private businesses,
 favouring increased state control and heavy regulations, which suppress business activity.



- Globally, high oil prices continue to increase inflationary fears, with the Brent crude oil
 price today at US\$86/bbl, worrying financial markets and causing some risk off as the
 potential for a November tapering of QE is seen as a risk, now, increasing rand volatility.
- The run up to the November FOMC meeting on the 3rd will see close scrutiny, with the all important US core PCE deflator due out on Friday and GDP on Thursday, which markets' will gauge for a November or December taper, with worries on stagflation in particular.
- The rand is likely to remain highly volatile, heavily afflicted by events in global financial markets, but still tending towards R14.70/USD dollar this quarter, although US data outcomes this week may have the potential for a severe impact on the rand.



Lite Down (Case: Ex			asts									
		20	21			20	22		2023				
	Q1.21	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	Q4.22	Q1.23	Q2.23	Q3.23	Q4.23	
USD/ZAR	14.96	14.13	14.64	15.50	16.00	16.65	16.90	17.00	17.50	17.60	17.50	17.20	
GBP/ZAR	20.63	19.75	20.18	21.52	22.96	24.39	25.18	25.75	25.90	25.52	25.03	24.60	
EUR/ZAR	18.03	17.03	17.26	18.35	19.28	20.31	20.96	21.25	21.88	22.00	21.88	21.50	
ZAR/JPY	7.09	7.75	7.52	7.08	6.69	6.31	6.15	6.12	6.00	6.08	6.11	6.22	
CHFZAR	16.52	15.51	15.95	16.65	17.21	17.98	18.38	18.48	19.23	19.34	19.23	18.90	
AUDZAR	11.56	10.88	10.76	11.43	12.00	12.49	12.84	13.09	13.65	13.73	13.65	13.42	
GBP/USD	1.38	1.40	1.38	1.39	1.43	1.46	1.49	1.51	1.48	1.45	1.43	1.43	
EUR/USD	1.21	1.21	1.18	1.18	1.21	1.22	1.24	1.25	1.25	1.25	1.25	1.25	
USD/JPY	106	109	110	110	107	105	104	104	105	107	107	107	
								Note: av	erages,	Source:	Investe	c, Iress	



Up Case: E	xchange	Rate for	ecasts										
			21			20	22		2023				
	Q1.21	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	Q4.22	Q1.23	Q2.23	Q3.23	Q4.23	
USD/ZAR	14.96	14.13	14.64	14.00	13.50	13.40	13.20	13.00	12.80	12.60	12.55	12.30	
GBP/ZAR	20.63	19.75	20.18	19.44	19.37	19.63	19.67	19.69	18.94	18.27	17.95	17.59	
EUR/ZAR	18.03	17.03	17.26	16.58	16.27	16.35	16.37	16.25	16.00	15.75	15.69	15.38	
ZAR/JPY	7.09	7.75	7.52	7.84	7.93	7.84	7.88	8.00	8.20	8.49	8.53	8.70	
CHFZAR	16.52	15.51	15.95	15.04	14.52	14.47	14.36	14.13	14.07	13.85	13.79	13.52	
AUDZAR	11.56	10.88	10.76	10.32	10.13	10.05	10.03	10.01	9.98	9.83	9.79	9.59	
GBP/USD	1.38	1.40	1.38	1.39	1.43	1.46	1.49	1.51	1.48	1.45	1.43	1.43	
EUR/USD	1.21	1.21	1.18	1.18	1.21	1.22	1.24	1.25	1.25	1.25	1.25	1.25	
USD/JPY	106	109	110	110	107	105	104	104	105	107	107	107	
								Note	e average	es, Sourc	e: Investe	ec, Iress	

		20	21			2022				2023				
	Q1.21	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	Q4.22	Q1.23	Q2.23	Q3.23	Q4.23		
USD/ZAR	14.96	14.13	14.64	16.00	16.80	17.50	18.00	18.50	18.70	19.20	19.55	19.70		
GBP/ZAR	20.63	19.75	20.18	22.21	24.11	25.64	26.82	28.02	27.68	27.84	27.96	28.17		
EUR/ZAR	18.03	17.03	17.26	18.94	20.24	21.35	22.32	23.13	23.38	24.00	24.44	24.63		
ZAR/JPY	7.09	7.75	7.52	6.86	6.37	6.00	5.78	5.62	5.61	5.57	5.47	5.43		
CHFZAR	16.52	15.51	15.95	17.19	18.08	18.89	19.58	20.11	20.55	21.10	21.48	21.65		
AUDZAR	11.56	10.88	10.76	11.79	12.60	13.13	13.68	14.25	14.59	14.98	15.25	15.37		
GBP/USD	1.38	1.40	1.38	1.39	1.43	1.46	1.49	1.51	1.48	1.45	1.43	1.43		
EUR/USD	1.21	1.21	1.18	1.18	1.21	1.22	1.24	1.25	1.25	1.25	1.25	1.25		
USD/JPY	106	109	110	110	107	105	104	104	105	107	107	107		

		20	21			20	122		2023				
	Q1.21	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	Q4.22	Q1.23	Q2.23	Q3.23	Q4.23	
USD/ZAR	14.96	14.13	14.64	13.80	13.30	13.00	12.90	12.80	12.70	12.50	12.30	12.15	
GBP/ZAR	20.63	19.75	20.18	19.16	19.08	19.04	19.22	19.39	18.80	18.13	17.59	17.37	
EUR/ZAR	18.03	17.03	17.26	16.34	16.03	15.86	16.00	16.00	15.88	15.63	15.38	15.19	
ZAR/JPY	7.09	7.75	7.52	7.95	8.05	8.08	8.06	8.13	8.27	8.56	8.70	8.81	
CHFZAR	16.52	15.51	15.95	14.83	14.31	14.04	14.03	13.91	13.96	13.74	13.52	13.35	
AUDZAR	11.56	10.88	10.76	10.17	9.98	9.75	9.80	9.86	9.91	9.75	9.59	9.48	
GBP/USD	1.38	1.40	1.38	1.39	1.43	1.46	1.49	1.51	1.48	1.45	1.43	1.43	
EUR/USD	1.21	1.21	1.18	1.18	1.21	1.22	1.24	1.25	1.25	1.25	1.25	1.25	
USD/JPY	106	109	110	110	107	105	104	104	105	107	107	107	