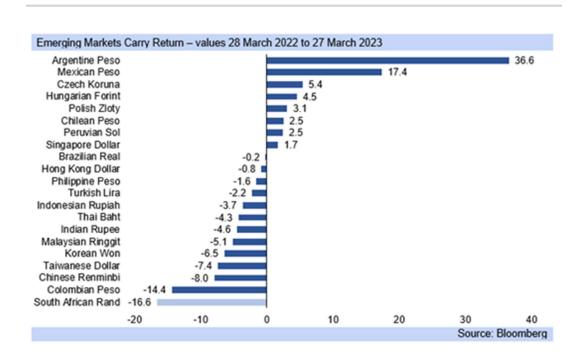
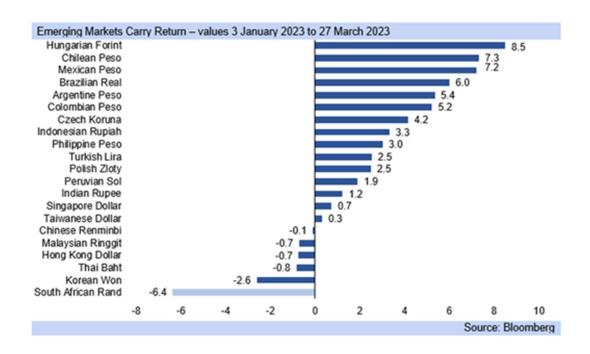
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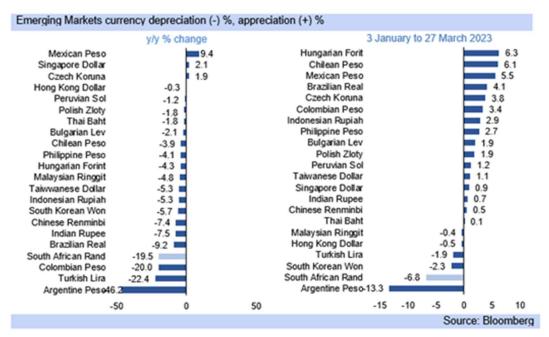


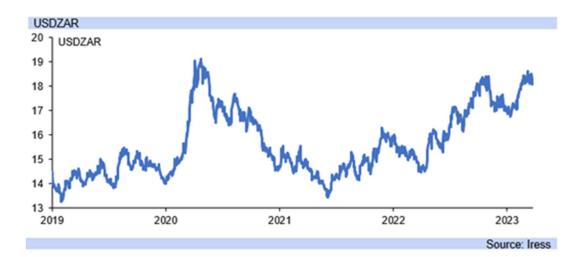
Rand note: markets continue to worry about the effects of the banking crisis

Monday 27 March 2023







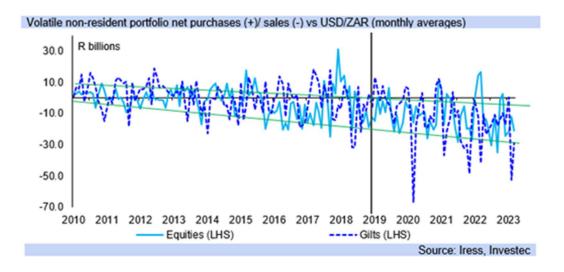


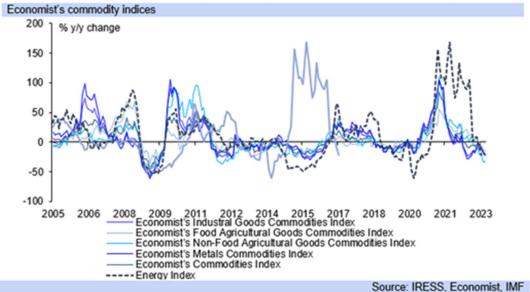
	2023					20	24		2025				
	Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25	Q4.25	
USD/ZAR	17.80	18.40	18.60	18.30	17.80	18.00	18.30	17.90	17.60	17.60	17.70	17.50	
GBP/ZAR	21.88	22.82	23.25	22.88	22.43	22.86	23.52	23.36	22.88	22.88	23.01	22.75	
EUR/ZAR	19.26	20.15	20.65	20.50	20.11	20.52	21.14	21.03	20.59	20.59	20.71	20.48	
ZAR/JPY	7.28	6.98	6.77	6.83	6.94	6.78	6.61	6.70	7.61	7.50	7.40	7.43	
CHFZAR	19.45	20.25	20.44	19.80	19.06	19.27	19.75	19.66	19.34	19.34	19.45	19.23	
AUDZAR	12.34	13.06	13.49	13.45	13.17	13.32	13.63	13.43	13.38	13.55	13.98	13.83	
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	134	132	131	130	
								Note	averages	, Source	: Investe	c, Ires	

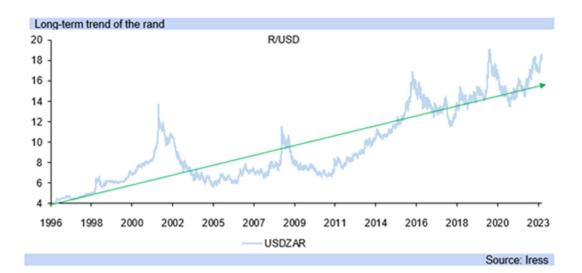
- Risk aversion has not fallen for emerging markets yet, despite growing expectations
 that the end of the US rate hike cycle is now in sight and the FOMC predicting over
 1% in cuts in its fed funds rate next year, which markets think will start in H2.23.
- Concerns over the health of private sector banks in advanced economies are supporting risk-off, as are worries over still high inflation, while the ECB and BOE warn of further rate hikes to tame inflation.
- Fears over systemic risk have intensified in the banking sector, with the IMF warning
 "risks to financial stability have increased ... (a)t a time of higher debt levels", and
 that the outlook for the global economy is weak for the medium-term.
- "(T)he rapid transition from a prolonged period of low interest rates to much higher rates ... inevitably generates stresses and vulnerabilities, as evidenced by recent developments in the banking sector in some advanced economies."
- "Policymakers have acted decisively in response to financial stability risks, and advanced economy central banks have enhanced the provision of U.S. dollar liquidity. These actions have eased market stress to some extent".

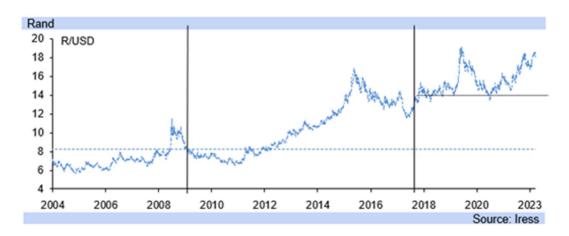
- However, "uncertainty is high which underscores the need for vigilance", with risks
 of geo-economic fragmentation which could mean a world split into rival economic
 blocs ... that would leave everyone poorer and less secure."
- Concerns that the banking crisis could worsen have overshadowed global financial markets, as this would risk a global recession. Markets are being cautious and so risk averse, which is limiting rand gains from the less hawkish FOMC stance.
- The rand reached R18.32/USD today, R22.42/GBP and R19.70/EUR, still weak, and foreigners have sold off -R13.6bn in SA bonds so far this year, while net sales of equities have been recorded too as foreigners continue to dump SA tocks.
- Looking ahead, much will depend on market concerns around the banking system, and the shoring up of liquidity, with Central Banks rushing to reassure markets on their respective banking sectors health, but this is not allaying concerns currently.

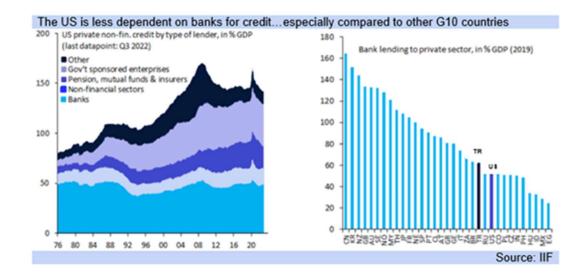
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- Financial market volatility negatively affects risk sentiment, in turn reducing investor appetite for EM assets. Concerns over US recession have increased, however no evidence is due in the data for several weeks yet of any economic weakness.
- Markets do not favour uncertainty, and the waiting period will also add to negative sentiment, while markets naturally fear new announcements of weakened banks with contagion from the US banking sector still affecting bank share prices globally.
- Concerns centre around a reduction in the pace of lending, particularly in the US, as banks reel from the shock of some failures in the system, tightening lending conditions, and so exacerbating the effect of higher interest rates on the economy.
- Due to the lags involved, concerns are also circling that the combined shocks may be more significant than anticipated, although the IIF (Institute of International Finance) highlights "the US economy is less dependent than others on bank credit."
- "The IIF is the global association of the financial industry, with about 400 members from more than 60 countries. (M)embers include commercial and investment banks, ... central banks and development banks."
- It adds "(t)he US isn't nearly as dependent as other economies on bank lending, given how diversified and broad US capital markets are." "(I)n an international comparison of the importance of bank credit, the US ranks near the bottom of the scale."
- A sudden slowing in the pace of credit growth in the US is seen as a high risk for the US economy, and this is still a concern for recession, i.e. a sharp slowdown (contraction) in the pace of credit growth offered where credit growth stalls.
- Markets consequently still see marked risks, and this has counterbalanced the likely
 positive effect that the recent reduction in hawkishness in the Fed's tone last week
 would normally have had on financial markets.

 The rand has pulled back somewhat, from R18.62/USD last week before the FOMC meeting with only a 25bp rate hike (from market concerns of a 50bp move before the banking crisis), but markets are now fretting over increased chance of US recession.

Economic	Scenarios: note updated prob	abilities to	reflect el	evated do	wngrade r	isk on we	akening g	growth	
Extreme Up case 1%	USD/Rand (average) Repo rate (end rate) SA economic growth very qui (structural constraints eradica compensation. High business drives debt to low ratios of favourable weather conditions ratings to investment grade. V	ated), stro confidence 2000s. Ve s, Strong g	ong prope e and fixed ery subdu lobal grov	rty rights, d investme ed domes wth, risk-or	no nation ent growth, stic inflation, common	nalisation substantion on ext dity boom	or exprial FDI, fisterme rand. Rapid u	opriation scal conso nd streng pgrades	without blidation th, very of credit
Up case 1%	USD/Rand (average) Repo rate (end rate) Economic growth averages 3 confidence and investment le markets risk-on. No nationali favourable weather and global privatisation. Credit rating up transition to renewable energy change impact on economy. Co	evels, stru- sation or conditions ogrades of away from	ctural cor expropria s, rand str n fiscal o m fossil fu	istraints e tion witho ength, low consolidati iel usage,	roded, glo ut compe er state-co on, marke comprehe	obal grow nsation. I ontrolled p edly lowe ensive me	th strong ow dom orice infla r borrow	, global f estic infla tion on inc ings. Sub	inancial ation on creased ostantial
Base case 48%	USD/Rand (average) Repo rate (end rate) Economic growth modest (1.9 global financial market risk se to GDP stabilisation) leading then strengthens somewhat. In A transition to renewable ene alleviate the impact of climate conflict eases and does not ex	ntiment is to positive offation is i ergy and s change o	neutral to outlooks impacted slow move on the eco	positive. then like by the cou a away fro nomy are	South Afri ly credit range of wear or fossil for modestly	ica follows ating upgr ather patte uel usage implemen	s fiscal co rades. The erns via for e occurs nted. The	onsolidation be rand stood price in and mean Russian	on (debt abilises, inflation. sures to /Ukraine
Lite (domestic) Down case 40%	USD/Rand (average) Repo rate (end rate) Weak GDP growth (0.9% ave depressed, substantial electri little investment growth, reces occurs later in period. Some e impact on the economy. High transition to renewable energy	city and wasion. Incre expropriation of	vater shed eased state on of priva n unfavou	dding, very e borrowin te sector p rrable wea	weak raigs, risk of property we ther condi	I capacity credit rati ithout con itions, ma	, civil and ng downg npensation rked rand	d political grades rise on with a rise weaknes	unrest, es, then regative
Severe down case 10%	USD/Rand (average) Repo rate (end rate) Lengthy global recession, glo and internationally. ANC/EFF and political unrest. Governme key agencies, eventually CCC transition to renewable energy economy. Very high inflation of private property without con	coalition i ent borrow C grade, in y and to su on very ac	in 2024. V s from inconcreased ufficient m dverse we	videspread reasingly risk of del easures to eather con harked ne	d, severe swider sour fault, sinks alleviate ditions, se gative eco	services le rces, SA ras s deeper i the impact evere rand nomic imp	oad shed ated sing nto a del at of clima d weakne pact. Blad	Iding, sev le B from a bt trap. Fa ite change ess. Expro cklisted.	ere civil all three ailure to e on the

		20	23		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	18.00	18.90	19.00	19.20	18.60	18.75	18.90	18.70	18.40	18.45	18.45	18.40
GBP/ZAR	22.12	23.44	23.75	24.00	23.44	23.81	24.29	24.40	23.92	23.99	23.99	23.92
EUR/ZAR	19.47	20.70	21.09	21.50	21.02	21.38	21.83	21.97	21.53	21.59	21.59	21.53
ZAR/JPY	7.20	6.80	6.63	6.51	6.64	6.51	6.40	6.42	7.28	7.15	7.10	7.07
CHFZAR	19.66	20.80	20.88	20.78	19.92	20.07	20.40	20.53	20.22	20.27	20.27	20.22
AUDZAR	12.48	13.42	13.78	14.11	13.76	13.88	14.08	14.03	13.98	14.21	14.58	14.54
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	134	132	131	130

Severe Do	wn Case:	Exchang	e Rate fo	orecasts									
		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	18.70	19.30	19.70	20.00	20.20	20.50	20.80	21.20	20.90	20.90	21.00	20.80	
GBP/ZAR	22.99	23.93	24.63	25.00	25.45	26.04	26.73	27.67	27.17	27.17	27.30	27.04	
EUR/ZAR	20.23	21.13	21.87	22.40	22.83	23.37	24.02	24.91	24.45	24.45	24.57	24.34	
ZAR/JPY	6.93	6.66	6.40	6.25	6.11	5.95	5.82	5.66	6.41	6.32	6.24	6.25	
CHFZAR	20.43	21.24	21.65	21.64	21.64	21.94	22.45	23.28	22.97	22.97	23.08	22.86	
AUDZAR	12.96	13.70	14.28	14.70	14.95	15.17	15.50	15.90	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	134	132	131	130	
								Note	: average	s, Sourc	e: Invest	ec, Iress	

Up Case: E	xchange	Rate for	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	17.00	17.20	17.40	16.90	16.50	16.10	16.00	15.70	15.40	15.40	15.50	15.30
GBP/ZAR	20.90	21.33	21.75	21.13	20.79	20.45	20.56	20.49	20.02	20.02	20.15	19.89
EUR/ZAR	18.39	18.83	19.31	18.93	18.65	18.35	18.48	18.45	18.02	18.02	18.14	17.90
ZAR/JPY	7.62	7.47	7.24	7.40	7.48	7.58	7.56	7.64	8.70	8.57	8.45	8.50
CHFZAR	18.57	18.93	19.12	18.29	17.67	17.23	17.27	17.24	16.92	16.92	17.03	16.81
AUDZAR	11.79	12.21	12.62	12.42	12.21	11.91	11.92	11.78	11.70	11.86	12.25	12.09
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	134	132	131	130
								Note	average	s. Source	: Investe	c. Iress

	Case. L		Rate for	ecasis		20					26		
		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	16.60	15.90	15.50	15.00	14.70	14.60	14.50	14.70	14.40	14.40	14.50	14.30	
GBP/ZAR	20.40	19.72	19.38	18.75	18.52	18.54	18.63	19.18	18.72	18.72	18.85	18.59	
EUR/ZAR	17.96	17.41	17.21	16.80	16.61	16.64	16.75	17.27	16.85	16.85	16.97	16.73	
ZAR/JPY	7.80	8.08	8.13	8.33	8.40	8.36	8.34	8.16	9.31	9.17	9.03	9.09	
CHFZAR	18.14	17.50	17.03	16.23	15.74	15.63	15.65	16.14	15.82	15.82	15.93	15.71	
AUDZAR	11.51	11.29	11.24	11.03	10.88	10.80	10.80	11.03	10.94	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	134	132	131	130	