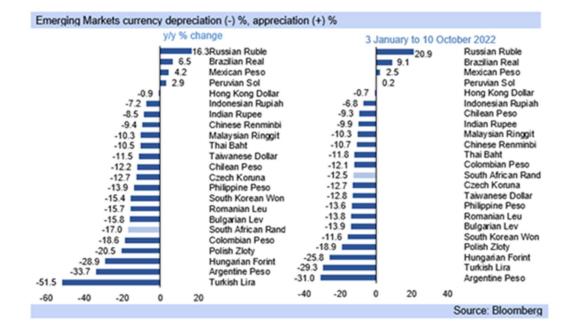


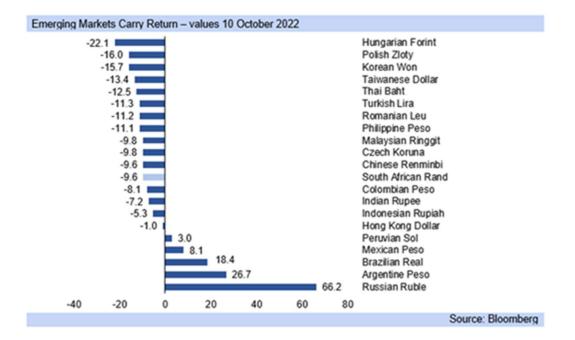


SA Economics

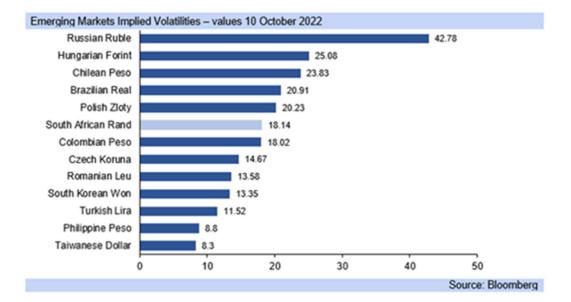
Monday 10 October 2022

Rand note: the rand continues to track weaker on the lengthy hawkish communication from the Fed





| Emerging Market | s CDS (ris | sk) Spreads – | values 10 | October 2022 | 2 | | |
|---|------------|---------------|-----------|--------------|-------|-------|---|
| 344 336 333 301 245 184 183 168 165 158 154 145 144 117 104 92 58 145 0 | | 2,000 | 3.000 | 4,000 | 5,000 | 6,000 | Argentina Turkey Romania Colombia South Africa Brazil Hungary Mexico Bulgaria Chile Peru Indonesia India Philippines Poland Malaysia China Thailand South Korea Czech Republic |
| | | -, | -, | ., | | ., | Source: Bloomberg |

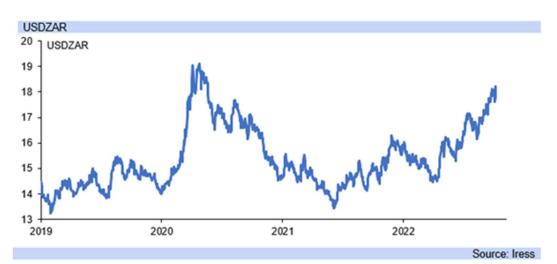


| | | 20 | 22 | | 2023 | | | | 2024 | | | |
|---------|-------|-------|-------|-------|-------|-------|-------|-------|-----------|----------|------------|---------|
| | Q1.22 | Q2.22 | Q3.22 | Q4.22 | Q1.23 | Q2.23 | Q3.23 | Q4.23 | Q1.24 | Q2.24 | Q3.24 | Q4.24 |
| USD/ZAR | 15.21 | 15.59 | 17.05 | 17.30 | 17.60 | 17.40 | 17.00 | 16.90 | 16.70 | 17.20 | 17.70 | 17.20 |
| GBP/ZAR | 20.40 | 19.59 | 20.06 | 17.73 | 17.95 | 18.36 | 18.53 | 19.10 | 19.71 | 21.50 | 23.36 | 23.74 |
| EUR/ZAR | 17.07 | 16.60 | 17.16 | 16.95 | 17.78 | 18.18 | 18.19 | 18.42 | 18.70 | 19.78 | 20.89 | 21.1 |
| ZAR/JPY | 7.65 | 8.33 | 8.12 | 8.21 | 7.90 | 7.84 | 7.85 | 7.75 | 7.66 | 6.98 | 6.50 | 6.40 |
| CHFZAR | 16.47 | 16.16 | 17.64 | 17.12 | 17.95 | 18.27 | 18.01 | 17.80 | 17.96 | 18.90 | 19.45 | 18.9 |
| AUDZAR | 11.02 | 11.14 | 11.65 | 11.42 | 12.06 | 12.44 | 12.58 | 12.84 | 13.03 | 13.42 | 13.81 | 13.4 |
| GBP/USD | 1.34 | 1.26 | 1.18 | 1.03 | 1.02 | 1.06 | 1.09 | 1.13 | 1.18 | 1.25 | 1.32 | 1.38 |
| EUR/USD | 1.12 | 1.06 | 1.01 | 0.98 | 1.01 | 1.05 | 1.07 | 1.09 | 1.12 | 1.15 | 1.18 | 1.23 |
| USD/JPY | 116 | 130 | 138 | 142 | 139 | 137 | 134 | 131 | 128 | 120 | 115 | 110 |
| | | | | | | | | Note | : average | s, Sourc | e: Investe | ec, Ire |

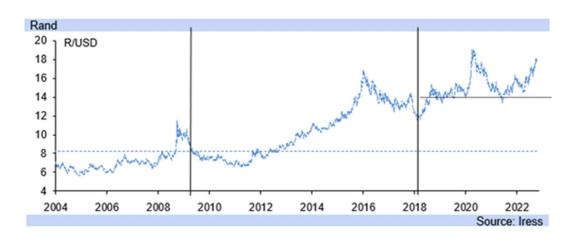
- The rand reached R18.24/USD today on a continued escalation in risk aversion, the weakest point against the greenback this year, and only around a rand stronger than the historic weak point in April 2020, as the US dollar continues to climb to its high of the early 2000s.
- Risk aversion elevated in 2000 in global financial markets on the collapse of the dot-com bubble, which together with 9/11 and higher interest rates, drove US recession in 2001, prompting US fiscal stimulus of major tax cuts under the Bush administration.
- Y2K fears led to a boom in IT equipment purchases, stimulating the economy, which then saw a drop in stock markets in March 2000, causing the dot-com bubble to burst. At the same time, US CPI inflation rose to 3.8% y/y in March, and the core PCE deflator began increasing.
- The US hiked interest rates over 2000 to seek to contain inflation, which worsened economic conditions, with the cumulative effects resulting in a US recession from March to November 2001, exacerbating market risk-off and strengthening the US dollar on safe haven flows.
- Markets fear a US monetary policy misstep that aids the US economy into recession, with risk aversion elevating since April this year on the lengthy hawkish communication from

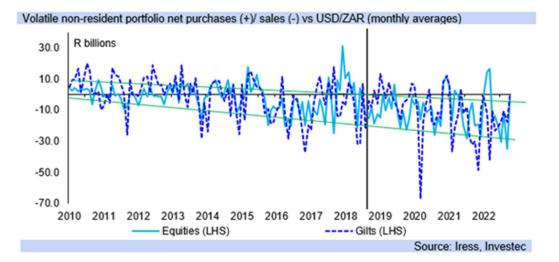
the Fed in the face of high inflation, well removed from its implicit inflation target of 2.0% y/y.

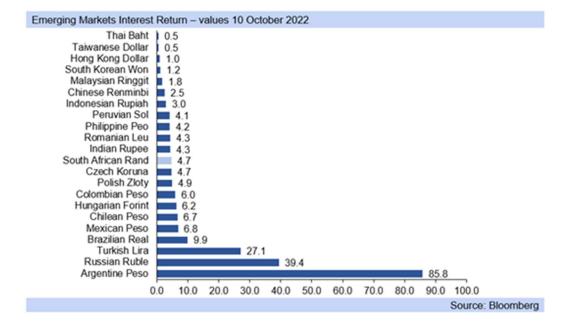
- In particular, insufficient monetary and other policy support measures are feared as Central Banks around the world are typically hiking interest rates, and plan to go past the normalisation of monetary policy to tighten it in attempt to control very high rates of inflation.
- US dollar strength continues to see the rand weaker against the US dollar than against the euro, at R17.70/EUR today. Against the British pound, the rand is at R20.18/GBP, as the UK is in the process of repairing some communication misfires on fiscal policy recently.
- Markets have become jittery into this week as the US inflation figures are set for release, with a moderation expected in both US CPI and PPI headline inflation rates for September, although excluding food and energy the measures are expected unchanged to higher.
- Core measures of inflation are key to the Fed, including the PCE deflator e. September's US CPI excluding food and energy is expected to accelerate by 6.5% y/y, from 6.3% y/y, which has worsened risk aversion levels. A higher print risks further rand depreciation.

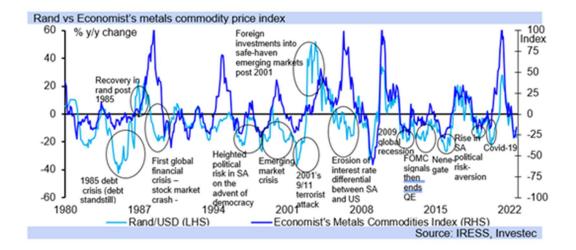


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- Last week saw the US employment rate drop on Friday. This increased market risk aversion levels further as expectations solidified for a 75bp hike in US interest rates at the next FOMC meeting on data indicating the US job market is still tight, exerting inflationary pressures.
- The pace of job creation did slow somewhat in September, with US non-farm payrolls dipping to an additional 263 000 new jobs from 315 000 in August, but below market expectations of 255 000, which added to the risk-off sentiment ensuing from a still buoyant labour market.
- US unemployment is at its pre-pandemic rate, which is the lowest rate since 1953. President Joe Biden is reported to have said that September jobs figures are "an encouraging sign" that the US economy is approaching "steady" growth.
- The US Central Bank will remain focused on curtailing inflation through slowing economic growth, with IMF research showing that the "recent sharp interest rate hikes by central banks are likely to help prevent high inflation expectations from becoming entrenched".
- October's World Economic Outlook (WEO) revealed that "IMF researchers studied 22 episodes of high inflation and falling real wages in advanced economies over the past 50 years and found most subsided quickly."
- Adding "sustained wage-price spirals are historically rare". "Risks of a sustained wageprice spiral appear limited since underlying inflation shocks come from outside the labor market and monetary policy is tightening aggressively."
- "Wage hikes over the past two years were driven by production capacity and labor supply shocks, while prices were driven up largely by a build-up of private savings and the release of pent-up demand as the pandemic eased".
- The implied Fed Funds futures have priced in a 74bp hike for November's FOMC meeting now, from a 68bp hikea week ago, and 52bp lift for December, up from 46bp expected for December (a week ago). Financial markets remain highly sensitive to key US economic data.
- The rand will consequently remain vulnerable to weakness, as well as some volatility this quarter, led by US data releases and FOMC members commentary, although towards year end the tone of FOMC hawkishness is expected to ease somewhat.

| | | Q1.22 | Q2.22 | Q3.22 | Q4.22 | Q1.23 | Q2.23 | Q3.23 | Q4.23 | | | | |
|---|--|--|--|---|--|--|---|---|---|--|--|--|--|
| xtreme | USD/Rand (average) | 15.21 | 15.59 | 17.05 | 15.40 | 14.50 | 14.00 | 13.60 | 13.40 | | | | |
| p case | Repo rate (end rate) | 4.25 | 4.75 | 6.25 | 5.25 | 4.25 | 3.75 | 3.75 | 3.50 | | | | |
| 10 | SA economic growth rises | | | | | | | | | | | | |
| | constraints eradicated), strong property rights, no nationalisation or expropriation without compensation. High business confidence and fixed investment growth, substantial FDI, fiscal consolidation drives debt to | | | | | | | | | | | | |
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| | low ratios of 2000s. Very si conditions. Strong global (| | | | | | | | | | | | |
| | transition away from fossil f | | | | | | 5 01 0100 | it raunys | Subig | | | | |
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| p case | 100.0 | Q1.22 | Q2.22 | Q3.22 | Q4.22 | Q1.23 | Q2.23 | Q3.23 | Q4.23 | | | | |
| % | USD/Rand (average) | 15.21 | 15.59 | 17.05 | 16.00 | 15.30 | 15.00 | 14.70 | 14.60 | | | | |
| | Repo rate (end rate) Economic growth of 3%, ri | 4.25 | 4.75 | 6.25 | 5.50 | 4.75 structural | 4.25 | 4.25 | 4.25 | | | | |
| | | | | | | | | | | | | | |
| | growth strong, global financial markets risk-on. No nationalisation or expropriation without compensation. Low domestic inflation on favourable weather and global conditions, rand strength, lower state-controlled | | | | | | | | | | | | |
| | price inflation on increased | | | | | | | | | | | | |
| | consolidation, debt projecti | | | | | | | | vay from | | | | |
| | fossil fuel usage, comprehe | ensive meas | sures to all | eviate cli | mate chan | ge impact | on econo | omy. | | | | | |
| | | Q1.22 | Q2.22 | Q3.22 | Q4.22 | Q1.23 | Q2.23 | Q3.23 | Q4.23 | | | | |
| ase | USD/Rand (average) | 15.21 | 15.59 | 17.05 | 17.30 | 17.60 | 17.40 | 17.00 | 16.90 | | | | |
| ase | Repo rate (end rate) | 4.25 | 4.75 | 6.25 | 7.00 | 7.50 | 7.50 | 7.25 | 7.00 | | | | |
| 3% | Economic growth modest t | | | | | | | | | | | | |
| | measures, global financial | | | | | e. South A | | ne BB cre | dit rating | | | | |
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| omestic) own ase 9% evere own ase | outlooks. The rand sees m food price inflation. Little economy, no nationalisatior usage occurs and measur implemented. The Russian USD/Rand (average) Repo rate (end rate) The international environm projections stabilise, falls in Recession occurs. Businee civil and political unrest. Hi transition to renewable er expropriation of private s economy. Substantial fisca USD/Rand (average) Repo rate (end rate) Lengthy global recession, and internationally. Limited economic impact. Very high single B from all three key Government borrows from | A modest expropriation. A modest est to allevi /Ukraine counce q1.22 15.21 4.25 ent (incl. ris- nito single B ss confiden- igh inflation hergy or m ector prop- il consolidat Q1.22 15.21 4.25 global finar expropriation inflation or inflation or inflation counce increasingly vere civil at | ss and infl on withou transition ate the in inflict ease Q2.22 15.59 4.75 k sentime (local and cc depress on unfavo easures to erty witho ion ultimal Q2.22 15.59 4.75 hotal crisis on of priva to very adva downgrad y wider so ind political | ation is in to comper- to renewarpact of of s and does Q3.22 17.05 6.25 nt) is that if foreign of seed, signification orable we of alleviation cased, signification orable we of alleviation cased, signification orable we of alleviation cased, signification orable we of alleviation cased, signification cased, sig | mpacted b station oc able energy climate ch es not exact Q4.22 17.40 7.50 of the bas currency) of ficant load ather conde e the imp ensation, s, prevent Q4.22 18.00 8.00 clent mone ty without of her conditi ally into C kis deeper alure to the op on the | y the cou curs and y and slow ange on the cerbate. Q1.23 17.70 8.00 the case. So credit ration I shedding ditions, ma act of clir with some ing ratings Q1.23 18.30 9.00 etary and compensations, sever into a del ransition to | Q2.23 17.80 8.50 000000 AFT AND | ather palegative ray from to omy are Q3.23 17.70 9.00 a fails to 10 three a westmenid weakne nge. Ven e impact to the C (Q3.23 18.60 10.50 port dom marked aakness. ed risk of despread ble energi | terns via effect on fossil fuel modestly Q4.23 17.90 9.90 see debt gencies. t growth, ss. Little y limited t on the grades. Q4.23 19.00 10.50 hestically negative SA rated f default. d, severe ny and to | | | | |

| | | 20 | 22 | | 2023 | | | | | 2024 | | | |
|---------|-------|-------|-------|-------|-------|-------|-------|----------|---------|---------|---------|----------|--|
| | Q1.22 | Q2.22 | Q3.22 | Q4.22 | Q1.23 | Q2.23 | Q3.23 | Q4.23 | Q1.24 | Q2.24 | Q3.24 | Q4.24 | |
| JSD/ZAR | 15.21 | 15.59 | 17.05 | 17.40 | 17.70 | 17.80 | 17.70 | 17.90 | 18.10 | 18.20 | 18.20 | 18.00 | |
| GBP/ZAR | 20.40 | 19.59 | 20.06 | 17.84 | 18.05 | 18.78 | 19.29 | 20.23 | 21.36 | 22.75 | 24.02 | 24.84 | |
| EUR/ZAR | 17.07 | 16.60 | 17.16 | 17.05 | 17.88 | 18.60 | 18.94 | 19.51 | 20.27 | 20.93 | 21.48 | 22.14 | |
| ZAR/JPY | 7.65 | 8.33 | 8.12 | 8.16 | 7.85 | 7.67 | 7.54 | 7.32 | 7.07 | 6.59 | 6.32 | 6.11 | |
| CHFZAR | 16.47 | 16.16 | 17.64 | 17.22 | 18.05 | 18.69 | 18.75 | 18.85 | 19.46 | 20.00 | 20.00 | 19.78 | |
| AUDZAR | 11.02 | 11.14 | 11.65 | 11.48 | 12.12 | 12.73 | 13.10 | 13.60 | 14.12 | 14.20 | 14.20 | 14.04 | |
| GBP/USD | 1.34 | 1.26 | 1.18 | 1.03 | 1.02 | 1.06 | 1.09 | 1.13 | 1.18 | 1.25 | 1.32 | 1.38 | |
| EUR/USD | 1.12 | 1.06 | 1.01 | 0.98 | 1.01 | 1.05 | 1.07 | 1.09 | 1.12 | 1.15 | 1.18 | 1.23 | |
| USD/JPY | 116 | 130 | 138 | 142 | 139 | 137 | 134 | 131 | 128 | 120 | 115 | 110 | |
| | | | | | | | | Note: av | erages, | Source: | Investe | c, Iress | |

| Severe Dov | | | 22 | | 2023 | | | | 2024 | | | |
|------------|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | Q1.22 Q2.22 Q3.22 Q4.22 | | | | | Q2.23 | Q3.23 | Q4.23 | Q1.24 | Q2.24 | Q3.24 | Q4.24 |
| USD/ZAR | 15.21 | 15.59 | 17.05 | 18.00 | 18.30 | 18.50 | 18.60 | 19.00 | 19.30 | 19.40 | 19.30 | 19.30 |
| GBP/ZAR | 20.40 | 19.59 | 20.06 | 18.45 | 18.67 | 19.52 | 20.27 | 21.47 | 22.77 | 24.25 | 25.48 | 26.63 |
| EUR/ZAR | 17.07 | 16.60 | 17.16 | 17.64 | 18.48 | 19.33 | 19.90 | 20.71 | 21.62 | 22.31 | 22.77 | 23.74 |
| ZAR/JPY | 7.65 | 8.33 | 8.12 | 7.89 | 7.60 | 7.38 | 7.18 | 6.89 | 6.63 | 6.19 | 5.96 | 5.70 |
| CHFZAR | 16.47 | 16.16 | 17.64 | 17.82 | 18.66 | 19.43 | 19.71 | 20.01 | 20.75 | 21.32 | 21.21 | 21.21 |
| AUDZAR | 11.02 | 11.14 | 11.65 | 11.88 | 12.54 | 13.23 | 13.76 | 14.44 | 15.05 | 15.13 | 15.05 | 15.05 |
| GBP/USD | 1.34 | 1.26 | 1.18 | 1.03 | 1.02 | 1.06 | 1.09 | 1.13 | 1.18 | 1.25 | 1.32 | 1.38 |
| EUR/USD | 1.12 | 1.06 | 1.01 | 0.98 | 1.01 | 1.05 | 1.07 | 1.09 | 1.12 | 1.15 | 1.18 | 1.23 |
| USD/JPY | 116 | 130 | 138 | 142 | 139 | 137 | 134 | 131 | 128 | 120 | 115 | 110 |

| | | 20 | 22 | | | 20 | 23 | | 2024 | | | | |
|---------|-------|-------|-------|-------|-------|-------|-------|-------|-----------|----------|------------|-----------|--|
| | Q1.22 | Q2.22 | Q3.22 | Q4.22 | Q1.23 | Q2.23 | Q3.23 | Q4.23 | Q1.24 | Q2.24 | Q3.24 | Q4.24 | |
| USD/ZAR | 15.21 | 15.59 | 17.05 | 16.00 | 15.30 | 15.00 | 14.70 | 14.60 | 14.50 | 14.90 | 15.00 | 14.50 | |
| GBP/ZAR | 20.40 | 19.59 | 20.06 | 16.40 | 15.61 | 15.83 | 16.02 | 16.50 | 17.11 | 18.63 | 19.80 | 20.01 | |
| EUR/ZAR | 17.07 | 16.60 | 17.16 | 15.68 | 15.45 | 15.68 | 15.73 | 15.91 | 16.24 | 17.14 | 17.70 | 17.84 | |
| ZAR/JPY | 7.65 | 8.33 | 8.12 | 8.88 | 9.08 | 9.10 | 9.08 | 8.97 | 8.83 | 8.05 | 7.67 | 7.59 | |
| CHFZAR | 16.47 | 16.16 | 17.64 | 15.84 | 15.60 | 15.75 | 15.57 | 15.38 | 15.59 | 16.37 | 16.48 | 15.93 | |
| AUDZAR | 11.02 | 11.14 | 11.65 | 10.56 | 10.48 | 10.73 | 10.88 | 11.10 | 11.31 | 11.62 | 11.70 | 11.31 | |
| GBP/USD | 1.34 | 1.26 | 1.18 | 1.03 | 1.02 | 1.06 | 1.09 | 1.13 | 1.18 | 1.25 | 1.32 | 1.38 | |
| EUR/USD | 1.12 | 1.06 | 1.01 | 0.98 | 1.01 | 1.05 | 1.07 | 1.09 | 1.12 | 1.15 | 1.18 | 1.23 | |
| USD/JPY | 116 | 130 | 138 | 142 | 139 | 137 | 134 | 131 | 128 | 120 | 115 | 110 | |
| | | | | | | | | Note | e average | s, Sourc | e: Investe | ec, Iress | |

| Extreme Up | p Case: E | Exchange | Rate for | ecasts | | | | | | | | |
|------------|-----------|----------|----------|--------|-------|-------|-------|-------|-----------|----------|-----------|-----------|
| | | 20 | 22 | | 2023 | | | | 2024 | | | |
| | Q1.22 | Q2.22 | Q3.22 | Q4.22 | Q1.23 | Q2.23 | Q3.23 | Q4.23 | Q1.24 | Q2.24 | Q3.24 | Q4.24 |
| USD/ZAR | 15.21 | 15.59 | 17.05 | 15.40 | 14.50 | 14.00 | 13.60 | 13.40 | 13.30 | 13.10 | 13.10 | 12.90 |
| GBP/ZAR | 20.40 | 19.59 | 20.06 | 15.79 | 14.79 | 14.77 | 14.82 | 15.14 | 15.69 | 16.38 | 17.29 | 17.80 |
| EUR/ZAR | 17.07 | 16.60 | 17.16 | 15.09 | 14.65 | 14.63 | 14.55 | 14.61 | 14.90 | 15.07 | 15.46 | 15.87 |
| ZAR/JPY | 7.65 | 8.33 | 8.12 | 9.22 | 9.59 | 9.75 | 9.82 | 9.78 | 9.62 | 9.16 | 8.78 | 8.53 |
| CHFZAR | 16.47 | 16.16 | 17.64 | 15.24 | 14.79 | 14.70 | 14.41 | 14.11 | 14.30 | 14.40 | 14.40 | 14.18 |
| AUDZAR | 11.02 | 11.14 | 11.65 | 10.16 | 9.93 | 10.01 | 10.06 | 10.18 | 10.37 | 10.22 | 10.22 | 10.06 |
| GBP/USD | 1.34 | 1.26 | 1.18 | 1.03 | 1.02 | 1.06 | 1.09 | 1.13 | 1.18 | 1.25 | 1.32 | 1.38 |
| EUR/USD | 1.12 | 1.06 | 1.01 | 0.98 | 1.01 | 1.05 | 1.07 | 1.09 | 1.12 | 1.15 | 1.18 | 1.23 |
| USD/JPY | 116 | 130 | 138 | 142 | 139 | 137 | 134 | 131 | 128 | 120 | 115 | 110 |
| | | | | | | | | Note | : average | s. Sourc | e: Invest | ec. Iress |