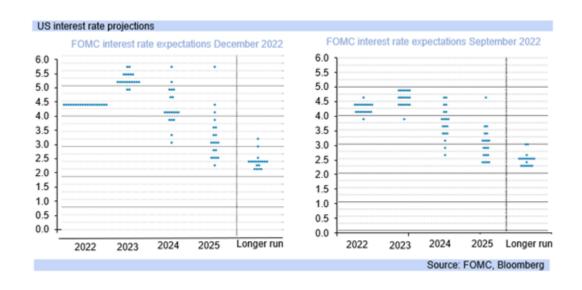




Rand note: the rand runs around R17.00/USD but risk-off still evident on global growth concerns

Thursday 5 January 2023



MPC meeting dates for 2023

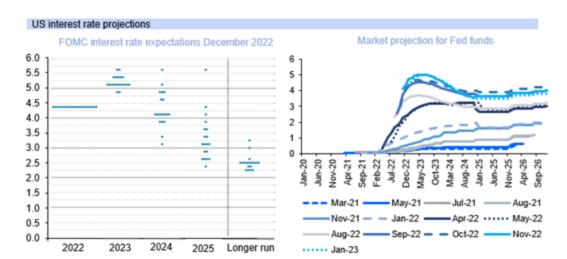
26th January 2023 30th March 2023 25th May 2023 20th July 2023 21th September 2023 23td November 2023

Source: SARB

FOMC meetings for 2023

31st January–1st February 2023 21st-22rd March 2023 2rd-3rd May 2023 13th-14th June 2023 25th-26th July 2023 19th-20th September 2023 31st October-1st November 2023 12th-13th December 2023

Source: The Federal Reserve Bank



Source: FOMC, Bloomberg

Source: Bloomberg

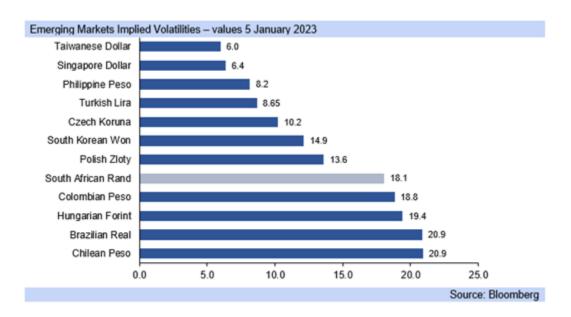
Emerging Markets currency depreciation (-) %, appreciation (+) % y/y % change 3 January to 5 January 2023 6.3 5.2 3.4 Mexican Peso Hungarian Forint 1.8 Brazilian Real 1.3 Thai Baht 1.0 Czech Koruna Peruvian Sol 1.4 Singapore Dollar 0.7 Polish Zloty Hong Kong Dollar 0.6 Chinese Renminbi -2.1 -2.2 Chilean Peso 0.6 Brazilian Real Thai Baht 0.6 Bulgarian Lev -3.7 Czech Koruna 0.5 Malaysian Ringgit Malaysian Ringgit -4.4 0.5 Chilean Peso -5.7 South Korean Won 0.4 Singapore Dollar -6.2 Bulgarian Lev Indian Rupee 0.4 South African Rand -6.5 0.3 Mexican Peso -7.4 0.2 Chinese Renminbi South Korean Won -8.0 Indonesian Rupiah 0.1 Philippine Peso -8.1 Polish Zloty Hong Kong Dollar 0.0 -8.6 Philippine Peso 0.0 South African Rand Indian Rupee -9.9 -0.1 Taiwanese Dollar Taiwanese Dollar -10.1 Indonesain Rupiah -0.1 -13.9 Hungarian Forint -11.6 Argentine Peso -18.4 Colombian Peso -0.2 Turkish Lira Turkish Lira -27.1 -0.7 Colombian Peso -42.3Argentine Peso -1 0 1 -60 -40 -20 20

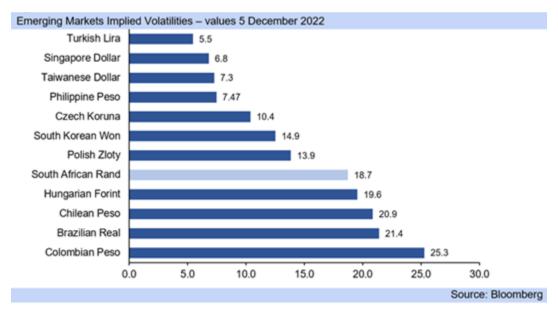
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Expected C	ase. Exc	9		asis							05	
		20	23			20	124			20	25	
	Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25	Q4.25
USD/ZAR	16.90	16.45	16.20	16.40	16.20	16.45	16.80	16.60	16.50	16.50	16.80	16.60
GBP/ZAR	20.37	20.24	20.25	20.50	20.58	21.39	22.18	22.91	23.10	23.27	24.03	23.74
EUR/ZAR	17.58	17.28	17.26	17.80	18.15	18.92	19.83	20.42	20.63	20.63	21.00	20.75
ZAR/JPY	8.19	8.30	8.30	8.14	8.02	7.29	6.84	6.63	6.48	6.48	6.37	6.44
CHFZAR	17.79	17.32	17.06	17.27	17.06	17.69	18.46	18.24	18.13	18.13	18.46	18.24
AUDZAR	11.49	11.52	11.67	12.06	12.15	12.83	13.11	12.95	12.87	12.87	13.11	12.95
GBP/USD	1.21	1.23	1.25	1.25	1.27	1.30	1.32	1.38	1.40	1.41	1.43	1.43
EUR/USD	1.04	1.05	1.07	1.09	1.12	1.15	1.18	1.23	1.25	1.25	1.25	1.25
USD/JPY	139	137	135	134	130	120	115	110	107	107	107	107
								Note:	average	s, Source	e: Investe	c, Iress

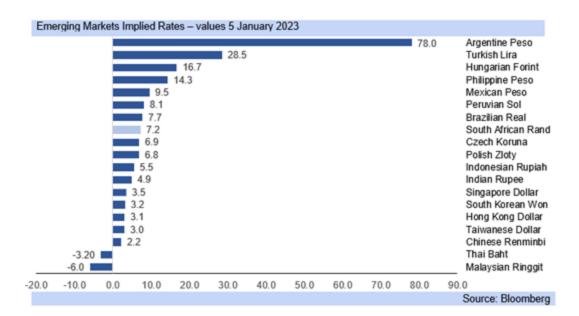
- The 50bp lift at 14th December's Federal Open Market Committee (FOMC) meeting, with the target range for the federal funds rate now 4.25% 4.50%, was expected, but aided the rand in tracking back to R17.00/USD by the end of 2022 on USD weakness.
- The rand strengthened to R16.87/USD today, with the release of the FOMC minutes for the mid December 2022 meeting showing a unified decision to slow the pace of rate hikes in order to limit the impact on economic growth in the US.
- In particular, in "(i)light of the heightened uncertainty regarding the outlooks for both inflation and real economic activity, most participants emphasized the need to retain flexibility and optionality when moving policy to a more restrictive stance."
- Markets are beginning to factor in the chance that the FOMC reduces the quantum
 of its rate hike increases further, to 25bp potentially as early as the 1st February
 FOMC meeting, although market expectations are also divided, with the futures
 consequently pricing in a 34bp lift currently.
- The Fed funds futures further show less than a 25bp hike at the 22nd March and 3rd May FOMC meetings the FOMC's next two meeting dates, and then stabilisation around mid-year, turning to cuts in US interest rates over H2.23.
- However, as the FOMC itself notes "the Committee would continue to make decisions meeting by meeting", while the updated dot-plot chart shows the Fed's target rate peaking at the 5.00% - 5.25% range, then dropping down to 4.00% -4.25% next year.
- The dot-plot consequently shows a higher peaking for the target rate for this year than in its previous publication of 4.50% to 4.75%, which has prevented the rand from strengthening (the US dollar from weakening) more substantially than it has from mid-December so far.
- However, Fed Chair Powell highlighted on the dot-plot (FOMC members') interest rate views "(o)f course, these projections do not represent a Committee decision or plan, and no one knows with any certainty where the economy will be a year or more from now."

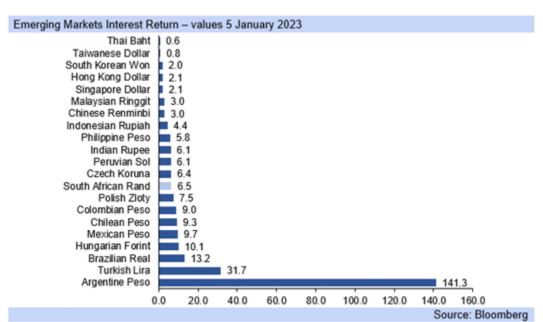
With the global economy expected to weaken this year, and the IMF warning "(w)e expect one-third of the world economy to be in recession", markets are concerned as they show US rate cuts later in the year. Investor uncertainty is still high, and so the rand is weak.

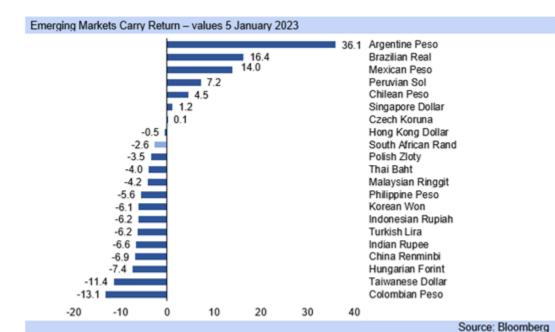
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- The IMF adds "(h)alf of the European Union will be in recession", ... "the three big economies US, EU, China are slowing ... simultaneously." "(T)he US may avoid recession," if "resilience of the labor market ... holds, the US would help the world to get through a very difficult year".
- Fed Chair Powell highlights "(d)espite the slowdown in growth, the labor market remains extremely tight, with the unemployment rate near a 50-year low, job vacancies still very high, and wage growth elevated."
- "Job gains have been robust, with employment rising by an average of 272,000 jobs per month over the last three months. ... the labor market continues to be out of balance, with demand substantially exceeding the supply of available workers."
- "FOMC participants expect supply and demand conditions in the labor market to come into better balance over time, easing upward pressures on wages and prices."
 In addition, the unemployemt rate for 2023 was raised at the December meeting versus September's projection.
- With the Fed's change in interest rate expectations, and focus "that ongoing increases will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time", the Fed has not fully rolled back from its hawkish stance.
- The rand will consequently be unlikely to pierce R16.00/USD this month, but could track towards this level. Markets continue to worry over the Fed's monetary policy proving too restrictive, and so the need for policy reversal in H2.23 with rate cuts (as shown by the Fed funds futures).
- China's COVID-19 outbreak, and resultant harsh restrictions in Q4.22, are expected to have supply chain effects into 2023, while the end of 2022 and early 2023 saw

the dismantling of its zero-COVID policy, although the WHO believes China's COVID cases are now under counted.

- The risks for 2023 include the global economic slowdown proving more severe than expected, which would yield lower global interest rates and inflation rates than currently expected, but raise risk aversion levels, and so have a negative effect on the rand.
- The recent domestic political situation evolved as expected, and now a cabinet reshuffle is anticipated in Q1.23 to bolster the President's policy aims to repair SA's infrastructure. The Phala Phala saga is not over, but we expect that it will unfold in the courts without derailing Ramaphosa.

		Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24
Extreme	USD/Rand (average)	16.40	15.50	14.50	14.00	13 60	13.40	13.30	13.10
Up case	Repo rate (end rate)	6.50	6.25	6.00	5.75	5.50	5.25	4.75	4.75
	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 ions. Strong	ong prop ce and fixe ery subdi global gro	erty right d investm ued dome wth, risk-	s, no nati ent growth estic inflat on, comme	onalisation, substantion on ex odity boom	n or exp tial FDI, fi treme ra n. Rapid u	ropriation scal cons nd streng upgrades	without olidation th, very of credit
Jp case		Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24
%	USD/Rand (average)	16.60	15.90	15.50	15.00	14.70	14.60	14.50	14,90
	Repo rate (end rate) Economic growth average	7.00	6.75	6.50	6.25	6.00	6.00	5.50	5.50
	markets risk-on. No natio favourable weather and gle 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	wer state- tion, mark	controlled kedly low	price infla er borrow	ation on in	creased bstantia
		Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24
Base	USD/Rand (average)	16.90	16.45	16.20	16.40	16.20	16.45	16.80	16.60
ase	Repo rate (end rate)	7.50	7.50	7.00	7.00	6.50	6.50	6.50	6.50
8%	Economic growth modest (
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Lite Down (Case: Ev	change R	ate fores	acte									
Lite Down	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	18.30	18.50	18.00	18.20	17.90	18.10	18.20	18.30	18.35	18.45	18.45	18.40	
GBP/ZAR	22.05	22.76	22.50	22.75	22.73	23.53	24.02	25.25	25.69	26.01	26.38	26.31	
EUR/ZAR	19.03	19.43	19.17	19.75	20.05	20.82	21.48	22.51	22.94	23.06	23.06	23.00	
ZAR/JPY	7.57	7.38	7.47	7.34	7.26	6.63	6.32	6.01	5.83	5.80	5.80	5.82	
CHFZAR	19.26	19.47	18.95	19.16	18.84	19.46	20.00	20.11	20.16	20.27	20.27	20.22	
AUDZAR	12.44	12.95	12.96	13.38	13.43	14.12	14.20	14.27	14.31	14.39	14.39	14.35	
GBP/USD	1.21	1.23	1.25	1.25	1.27	1.30	1.32	1.38	1.40	1.41	1.43	1.43	
EUR/USD	1.04	1.05	1.07	1.09	1.12	1.15	1.18	1.23	1.25	1.25	1.25	1.25	
USD/JPY	139	137	135	134	130	120	115	110	107	107	107	107	
								Note: av	rages,	Source:	Investe	c, Iress	

Severe Dov	vn Case:			precasts									
		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	19.50	19.70	19.90	19.90	20.00	20.50	20.40	20.40	20.70	20.50	
GBP/ZAR	22.53	23.74	24.38	24.63	25.27	25.87	26.40	28.29	28.56	28.76	29.60	29.32	
EUR/ZAR	19.45	20.27	20.77	21.37	22.29	22.89	23.60	25.22	25.50	25.50	25.88	25.63	
ZAR/JPY	7.41	7.07	6.90	6.78	6.53	6.03	5.75	5.37	5.25	5.25	5.17	5.22	
CHFZAR	19.68	20.32	20.53	20.74	20.95	21.40	21.98	22.53	22.42	22.42	22.75	22.53	
AUDZAR	12.72	13.51	14.04	14.48	14.93	15.52	15.60	15.99	15.91	15.91	16.15	15.99	
GBP/USD	1.21	1.23	1.25	1.25	1.27	1.30	1.32	1.38	1.40	1.41	1.43	1.43	
EUR/USD	1.04	1.05	1.07	1.09	1.12	1.15	1.18	1.23	1.25	1.25	1.25	1.25	
USD/JPY	139	137	135	134	130	120	115	110	107	107	107	107	
								Note	: averages	, Source	: Investe	c, Iress	

Up Case: E	xchange	Rate for	ecasts										
op 0000. L			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	14.90	15.00	14.50	14.50	14.60	
GBP/ZAR	20.00	19.56	19.38	18.75	18.67	18.98	19.14	20.56	21.00	20.45	20.74	20.88	
EUR/ZAR	17.26	16.70	16.51	16.28	16.46	16.79	17.11	18.33	18.75	18.13	18.13	18.25	
ZAR/JPY	8.34	8.58	8.68	8.90	8.84	8.22	7.93	7.38	7.13	7.38	7.38	7.33	
CHFZAR	17.47	16.74	16.32	15.79	15.47	15.70	15.93	16.37	16.48	15.93	15.93	16.04	
AUDZAR	11.29	11.13	11.16	11.03	11.03	11.39	11.31	11.62	11.70	11.31	11.31	11.39	
GBP/USD	1.21	1.23	1.25	1.25	1.27	1.30	1.32	1.38	1.40	1.41	1.43	1.43	
EUR/USD	1.04	1.05	1.07	1.09	1.12	1.15	1.18	1.23	1.25	1.25	1.25	1.25	
USD/JPY	139	137	135	134	130	120	115	110	107	107	107	107	
								Note	e average	s, Sourc	e: Investe	ec, Iress	

Extreme Up	Case: E			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 (24.25	
USD/ZAR	16.40	15.50	14.50	14.00	13.60	13.40	13.30	13.10	13.10	12.90	12.80	12.70	
GBP/ZAR	19.76	19.07	18.13	17.50	17.27	17.42	17.56	18.08	18.34	18.19	18.30	18.16	
EUR/ZAR	17.06	16.28	15.44	15.19	15.23	15.41	15.69	16.11	16.38	16.13	16.00	15.88	
ZAR/JPY	8.45	8.81	9.28	9.54	9.56	8.96	8.65	8.40	8.17	8.29	8.36	8.43	
CHFZAR	17.26	16.32	15.26	14.74	14.32	14.41	14.62	14.40	14.40	14.18	14.07	13.96	
AUDZAR	11.15	10.85	10.44	10.29	10.20	10.45	10.37	10.22	10.22	10.06	9.98	9.91	
GBP/USD	1.21	1.23	1.25	1.25	1.27	1.30	1.32	1.38	1.40	1.41	1.43	1.43	
EUR/USD	1.04	1.05	1.07	1.09	1.12	1.15	1.18	1.23	1.25	1.25	1.25	1.25	
USD/JPY	139	137	135	134	130	120	115	110	107	107	107	107	
								Note:	averages	, Source	: Investec	Iress	

Regards

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