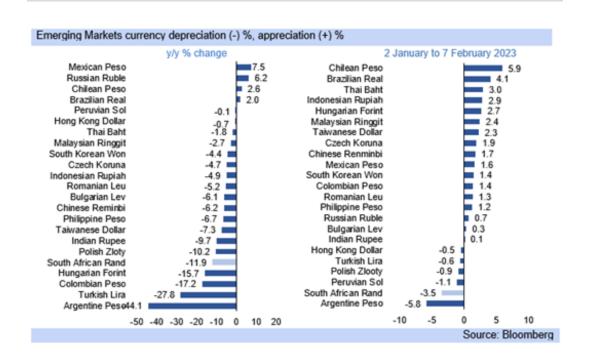
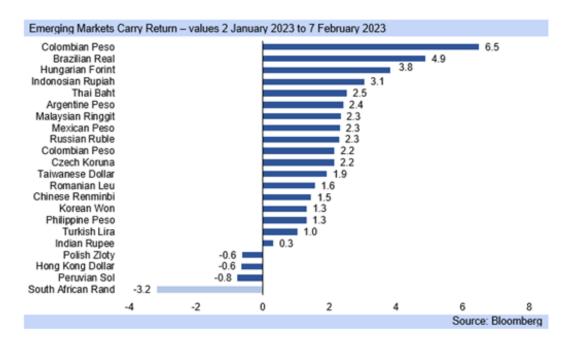


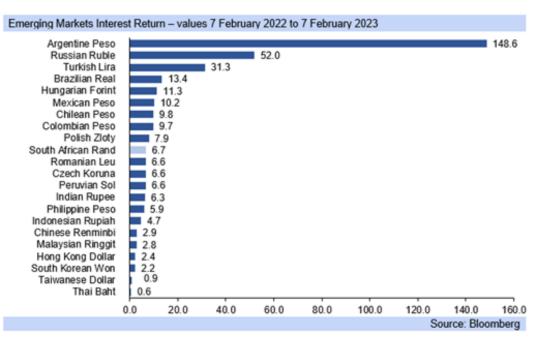


Rand note: markets see global risks, weakening the rand, along with domestic factors

Tuesday 7 February 2023







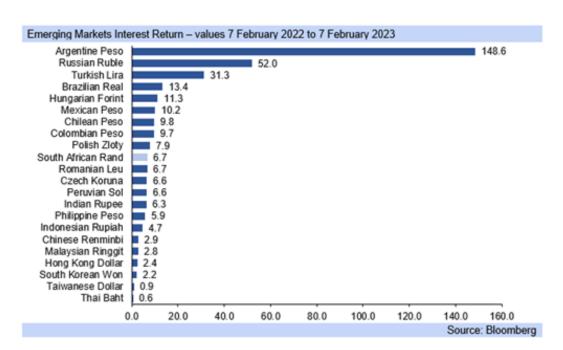


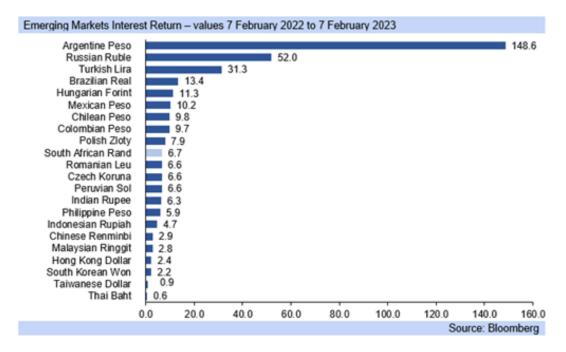
Expected C	case: Exc	change R	ate foreca	asts								
		20	23			20	24			20	25	
	Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25	Q4.25
USD/ZAR	17.10	17.00	16.90	16.80	16.60	16.85	17.20	17.00	16.90	16.90	17.20	17.00
GBP/ZAR	21.02	21.08	21.13	21.00	20.92	21.40	22.10	22.19	21.97	21.97	22.36	22.10
EUR/ZAR	18.50	18.62	18.76	18.82	18.76	19.21	19.87	19.98	19.77	19.77	20.12	19.89
ZAR/JPY	7.57	7.56	7.46	7.44	7.44	7.24	7.03	7.06	7.93	7.81	7.62	7.65
CHFZAR	18.68	18.71	18.57	18.18	17.78	18.04	18.56	18.67	18.57	18.57	18.90	18.68
AUDZAR	11.85	12.07	12.25	12.35	12.28	12.47	12.81	12.75	12.84	13.01	13.59	13.43
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: Investe	ec, Iress

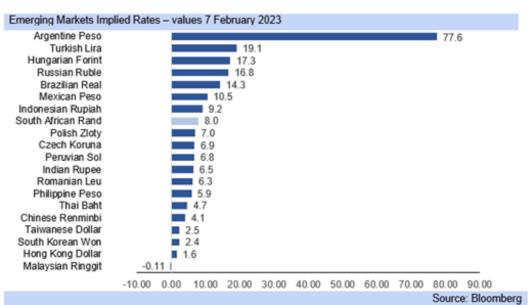
- The rand is weaker this week, having dipped below R17.00/USD, to R16.93/USD, after the FOMC meeting, but today has reached R17.69/USD, as markets still see some risks in the US inflation and interest rate outlooks.
- While the Fed last week was careful to highlight its rate hikes are not at an end, and core measures of inflation (excludes the volatile prices of food and energy) are proving sticky (slow to come down), and not just in the US.
- US Treasury Secretary Yellen reiterated this week that she does not expect a US
 recession, and legislative measures will aid inflation to fall more rapidly, but markets
 have started to worry about inflationary effects of stronger than expected economies.
- The US implicitly targets a core inflation measure of 2.0% y/y, a rate which is not seen as too high or too low for price increases, with higher rates of inflation having a negative effect on the cost of living.
- Aiming for too low a rate of inflation risks deflation, an environment where consumers
 delay purchases, waiting for even lower prices to come, and economic and
 investment drops while unemployment rises.

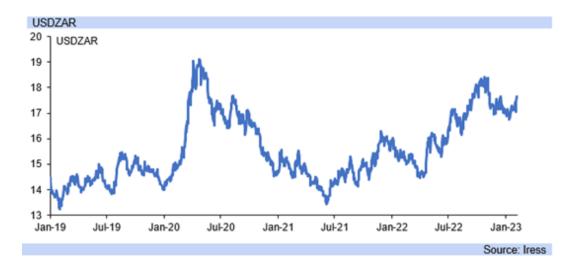
- A 2.0% y/y inflation target also provides some buffer to under measurement of inflation, a situation when actual inflation proves lower than the official measurement and so risks nearing deflationary (falling prices) territory.
- Deflation has further negative consequences, which include increasing the real value (the real value removes inflationary effects) of government debt, while conversely inflation reduces the real value of debt.
- South Africa sees its State of the Nation Address (SONA) on Thursday night, but markets anticipate little game changing reforms, with many past priorities unfulfilled and the economic environment instead deteriorating on weakening infrastructure.
- The rand has weakened on falling electricity supply, lack of broad state support for Eskom's CEO, and Transnet failing to meet rail and port capacity needs, while the size of the government and its poor governance is feared to increase under the NHI.

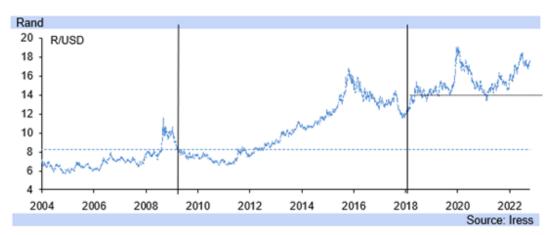












- Secretary Yellen also noted "I see is a path in which inflation is declining significantly and the economy is remaining strong." "You don't have a recession when you have 500,000 jobs and the lowest unemployment rate in more than 50 years".
- The IMF adds "(t)he U.S. economy is ... going to slow down this year. But, at least based on the data we have ... (so far), we think U.S. would be able to go through the year narrowly avoiding falling into recession".
- "That means a possibility for a soft landing for the United States." And what about U.S. employment? "Our expectation towards the end of year is to see somewhat weaker labor markets".
- "But let's be very clear, we are not scared of some big unemployment wave swiping through the United States." "The biggest surprise is that the picture, while it remains very concerning, is less dire than it was just two months ago".
- "We are still going for a year of slowing growth. We're still going to have interest rates relatively high because inflation hasn't evaporated. So it is not much better. It is just less bad."

- Inflationary pressures also differentiate around the world, with different countries affected by differing factors, and SA seeing lower inflationary pressures than some key advanced economies.
- The IMF has advised that "Central banks should communicate the likely need to keep interest rates higher for longer until there is evidence that inflation — including wages and prices of services — has sustainably returned to the target".
- "Loosening prematurely could risk a sharp resurgence in inflation once activity rebounds, leaving countries susceptible to further shocks which could de-anchor inflation expectations".
- "Crucially, central banks must avoid misreading sharp declines in goods prices and easing policy before services inflation and wages, which adjust more slowly, have also moderated markedly".

		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		13.10
Up case	Repo rate (end rate)	6.50	6.25	6.00	5.75	5.50	5.25		4.75
1%	SA economic growth very	100000000000000000000000000000000000000							
	(structural constraints era								
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	drives debt to low ratios								
	favourable weather condit								
	ratings to investment grad								
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4%	USD/Rand (average)	16.60	15.90	15.50	15.00	14.70	14.60	14.50	14.70
	Repo rate (end rate)	7.00	6.75	6.50	6.25	6.00	6.00	5.50	5.50
	Economic growth average	s 3.3% over	five-year	period, b	ut lifts toy	vards 5.09	6 y/y by	period en	d, rising
	confidence and investme	nt levels, str	uctural co	nstraints	eroded, g	lobal grov	wth strong	g, global	financia
	markets risk-on. No natio	nalisation or	expropri	ation with	out comp	ensation.	Low don	nestic infl	lation or
	favourable weather and gl								
	privatisation. Credit rating								
	transition to renewable en	ergy away fro	om fossil f	uel usage	compreh	ensive m	easures to	o alleviate	e climate
	change impact on econom	y. No grey li	sting.	3,50,000					
	2 %	B 3835	out the way						
		Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24
Base	USD/Rand (average)	17.10	17.00	16.90	16.80	16.60	16.85	17.20	17.00
case	Repo rate (end rate)	7.25	7.25	7.25	7.25	7.00	7.00	7.00	6.50
48%	Plant a second or many with the second or set	Add the management				do to some our	the face of the last		
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economy. Very high inflation on very adverse weather conditions, severe rand weakness. Expropriation of private property without compensation with a marked negative economic impact. Grey listed

Note: Event risk begins Q1.23. Source: Investec

Lite Down (Case: Ex	change R	Rate fored	asts								
		20	23			20	24			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	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	22.49	22.94	22.50	22.75	22.55	22.99	23.39	23.88	23.86	23.99	23.99	23.92
EUR/ZAR	19.80	20.26	19.98	20.38	20.23	20.63	21.02	21.50	21.47	21.59	21.59	21.53
ZAR/JPY	7.08	6.95	7.00	6.87	6.90	6.74	6.65	6.56	7.30	7.15	7.10	7.07
CHFZAR	19.99	20.36	19.78	19.69	19.17	19.37	19.64	20.10	20.16	20.27	20.27	20.22
AUDZAR	12.69	13.14	13.05	13.38	13.25	13.39	13.56	13.73	13.95	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
								Note: av	rages,	Source:	Investe	c, Iress

Up Case: E	xchange	Rate for	ecasts									
		20	23			20	24			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	16.60	15.90	15.50	15.00	14.70	14.60	14.50	14.70	14.80	14.60	14.70	14.80
GBP/ZAR	20.40	19.72	19.38	18.75	18.52	18.54	18.63	19.18	19.24	18.98	19.11	19.24
EUR/ZAR	17.96	17.41	17.21	16.80	16.61	16.64	16.75	17.27	17.32	17.08	17.20	17.32
ZAR/JPY	7.80	8.08	8.13	8.33	8.40	8.36	8.34	8.16	9.05	9.04	8.91	8.78
CHFZAR	18.14	17.50	17.03	16.23	15.74	15.63	15.65	16.14	16.26	16.04	16.15	16.26
AUDZAR	11.51	11.29	11.24	11.03	10.88	10.80	10.80	11.03	11.25	11.24	11.61	11.69
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	134	132	131	130
								Note	e average	s, Sourc	e: Investe	ec, 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	Q4.2	
USD/ZAR	18.70	19.30	19.50	19.70	19.90	19.90	20.00	20.50	20.40	20.40	20.70	20.5	
GBP/ZAR	22.99	23.93	24.38	24.63	25.07	25.27	25.70	26.75	26.52	26.52	26.91	26.6	
EUR/ZAR	20.23	21.13	21.65	22.06	22.49	22.69	23.10	24.09	23.87	23.87	24.22	23.99	
ZAR/JPY	6.93	6.66	6.46	6.35	6.21	6.13	6.05	5.85	6.57	6.47	6.33	6.34	
CHFZAR	20.43	21.24	21.43	21.32	21.31	21.30	21.59	22.51	22.42	22.42	22.75	22.53	
AUDZAR	12.96	13.70	14.14	14.48	14.73	14.73	14.90	15.38	15.50	15.71	16.35	16.20	
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: Investe	ac. Ire	

Extreme Up	Case: E	xchange	Rate for	ecasts										
		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	16.40	15.50	14.50	14.00	13.60	13.40	13.30	13.10	12.90	12.80	12.70	12.60		
GBP/ZAR	20.16	19.22	18.13	17.50	17.14	17.02	17.09	17.10	16.77	16.64	16.51	16.38		
EUR/ZAR	17.74	16.97	16.10	15.68	15.37	15.28	15.36	15.39	15.09	14.98	14.86	14.74		
ZAR/JPY	7.90	8.29	8.69	8.93	9.08	9.10	9.10	9.16	10.39	10.31	10.31	10.32		
CHFZAR	17.92	17.06	15.94	15.15	14.57	14.34	14.35	14.39	14.18	14.07	13.96	13.85		
AUDZAR	11.37	11.01	10.51	10.29	10.06	9.92	9.91	9.83	9.80	9.86	10.03	9.95		
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	: Invested	Iress		