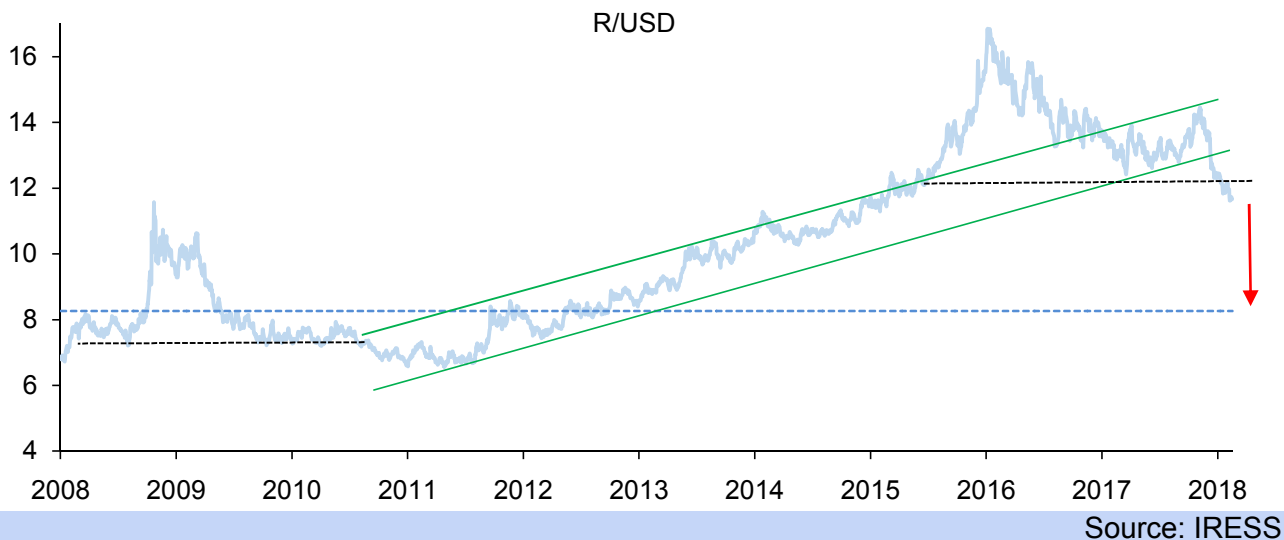




**Rand outlook: the probability to the downside has reduced materially, and the outlook for the expected case has strengthened towards 50%**

26<sup>th</sup> February 2018

Figure 1: Volatile history of the domestic currency



While the rand has recouped its losses from the effects of Nenegate end 2015/early 2016, it has yet to fully recoup the losses of the past near decade (see green channel in figure 1). Financial crises come and go, with the rand tending to revert to prior levels once the crises have passed - see figures 1, 3 and 4 where the rand spikes in 2008, and in 2001, then returns to pre-crisis levels (there was an almost five year lead up on the decline from the Asian financial crises in the late nineties to the eventual fallout for the rand in 2001). The most recent lengthy crisis of investor confidence for South Africa stretched from 2009 to recently, and is displayed by the depressed levels of business sentiment, which averaged a suppressed 41%, as about 60% of business in South Africa were dissatisfied with business conditions. The deterioration of key institutional strengths during the period caused a weakening channel for the rand (see green channel in figure 1), which was broken to the top by an acceleration in rand depreciation in the lead up to Nenegate (and Nenegate itself), before the domestic currency resumed the general (green) channel of decline (figure 1). This uni-direction in the rand has recently been convincingly broken, with the new leadership of SA expected to deliver free market reforms and a supportive environment for the private corporate sector, resulting in a recovery in economic growth from the doldrums it has sunk to (barring any short-term drought-recovery-led bounce). Substantial foreign portfolio inflows, with net purchases of R47bn worth of equities to date, underpins this trend (see figure 3). We have strengthened our rand forecasts somewhat, but the

Figure 2: Exchange rate forecasts – averages for the expected case

Expected case	Q1.18	Q2.18	Q3.18	Q4.18	Q1.19	Q2.19	Q3.19	Q4.19
USD/ZAR	11.90	11.65	11.65	11.55	11.50	11.35	11.40	11.40
GBP/ZAR (Av)	16.44	16.25	16.14	16.13	16.17	15.97	16.01	16.08
EUR/ZAR (Av)	14.40	14.10	14.04	14.03	14.15	14.13	14.25	14.31
ZAR/JPY (Av)	9.31	9.31	9.18	9.13	9.09	9.16	9.12	9.12

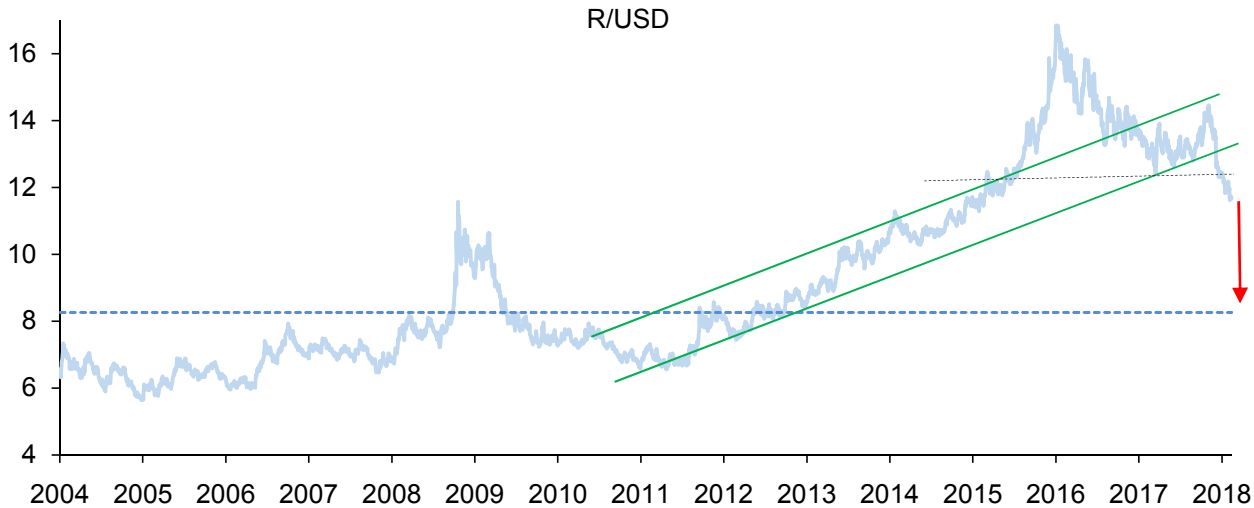
Source: Investec



**Rand outlook: the probability to the downside has reduced materially, and the outlook for the expected case has strengthened towards 50%**

26<sup>th</sup> February 2018

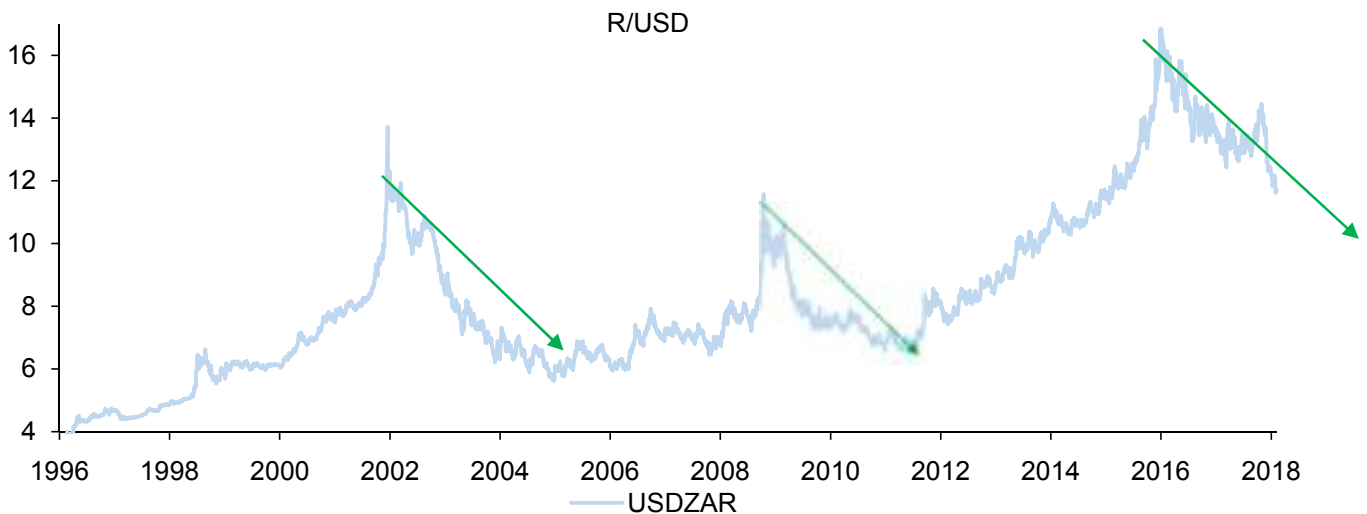
Figure 3: Volatile history of the domestic currency



Source: IRESS

domestic currency's likely stronger path will depend on the free market reforms necessary to repair South Africa's institutional strengths, and for these to take place as soon as possible. Failure to deliver both on the pro-private sector business and investment stated intentions, and to eradicate state capture, corruption and poor governance would see business confidence flag, and then subside down to the previous close, to a decade suppressed state, taking the hope of fast economic growth and employment down with it (see "Fixed Investment Outlook: expectations of higher economic growth lift expansion plans, engendering actual substantial growth and employment", 2<sup>nd</sup> February 2018, see

Figure 4: Volatile history of the domestic currency



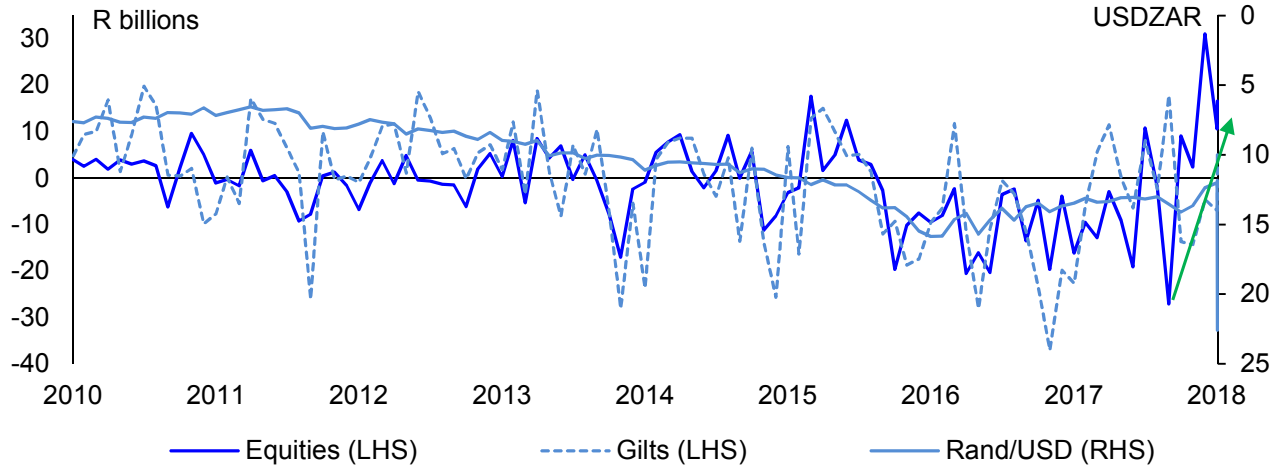
Source: IRESS



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26<sup>th</sup> February 2018

Figure 5: Non-resident portfolio net purchases (+)/ sales(-) vs USD/ZAR (monthly averages)

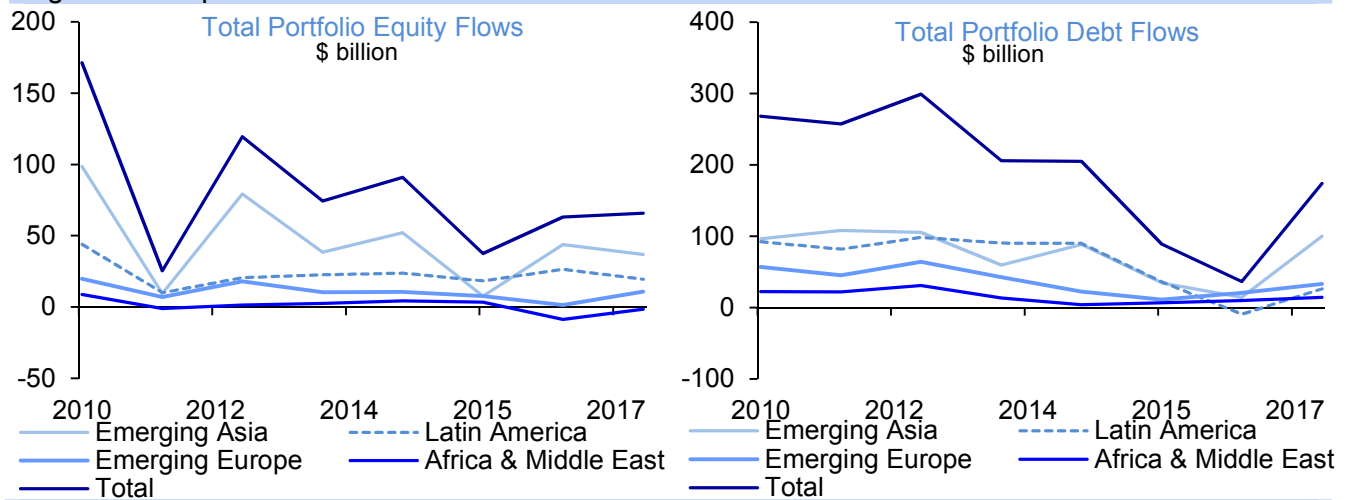


Source: IRESS, Investec

website address below).

The SONA has not disappointed, revealing that boosting business confidence and private sector led growth is firmly on government's agenda, and so therefore is the need for substantial private sector job creation over the next five years (see "SONA 2018: Outlining plans to address SA's institutional weaknesses", 19<sup>th</sup> February 2018). Indeed, reducing the size of the state and tripling the size of the private business sector through business supportive strategies, as well as transformation through growth and substantial additional employment, are the only sustainable methods (which must occur in tandem) to eradicate poverty and so inequality, and reduce unemployment to single-digits in the long-term. These structural changes would increase both the probability of the up case occurring,

Figure 6: Net portfolio flows for EMs



Source: IIF



## Rand outlook: the probability to the downside has reduced materially, and the outlook for the expected case has strengthened towards 50%

26<sup>th</sup> February 2018

Figure 7: Economic Scenarios

		Q1.18	Q2.18	Q3.18	Q4.18	Q1.19	Q2.19	Q3.19	Q4.19
Extreme Up case 1%	Rand/USD (average)	11.50	10.75	10.00	9.50	9.00	8.60	7.90	7.60
	Repo rate (end rate)	6.25	6.00	5.50	5.25	5.00	5.00	5.00	4.50
Fast, sustainable economic growth of 5.0-7.0% y/y plus. SA sees change in political will with growth creating economic reforms in line with global norms that structurally lift private sector investor confidence and so fixed investment. Global growth boom (including commodities), SA export and domestic growth boom lifts employment and incomes to the degree that poverty is eliminated. Fiscal consolidation, credit rating upgrades to A grade ultimately, interest rate cuts.									
Up case 12%	Rand/USD (average)	11.70	11.15	10.70	10.50	10.50	10.30	10.25	10.20
	Repo rate (end rate)	6.50	6.25	6.00	5.50	5.50	5.25	5.25	5.25
Persistent economic growth of 3.0 – 5.0%, with growing probability of extreme up case thereafter. Better governance, growth creating economic reforms in line with global norms (structural constraints are overcome) and greater socio-economic stability. This lifts business confidence and so private sector fixed investment growth rises to double digits, fixed investment inflows occur, resulting in faster GDP growth and fiscal consolidation. Strong global growth and commodity cycle. Stabilisation of credit ratings, with ultimately credit rating upgrades.									
Base line case 45%	Rand/USD (average)	11.90	11.65	11.65	11.55	11.50	11.35	11.40	11.40
	Repo rate (end rate)	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75
Annual growth rate of 2.0% y/y reached by 2019, 3.0% y/y by 2021. Higher confidence and investment levels than past decade. Rand structurally stronger on political change, quicker return to PPP (by 2020). SA retains one investment grade (Moody's) rating on its local currency long-term sovereign debt this year. Sedate global monetary policy normalisation – avoid severe global risk-off environment, neutral to global risk-on. Modestly strengthening global demand.									
Down case 27%	Rand/USD (average)	12.35	13.50	14.90	15.80	16.90	17.80	18.50	19.50
	Repo rate (end rate)	7.00	7.00	7.50	7.50	7.50	8.00	8.50	8.50
SA's foreign and local currency long-term debt sub-investment grade, increased chance of further credit downgrades. Marked rand weakness, confidence and investment measures depressed. Government's capacity for expenditure reduced, including social welfare grants. Faster than expected global monetary policy normalisation, global sharp economic slowdown (commodity slump), and substantial period of risk-off (SA V shaped recession).									
Extreme down case 15%	Rand/USD (average)	12.90	15.00	17.00	19.00	21.00	22.80	24.00	25.50
	Repo rate (end rate)	7.25	8.50	10.50	14.00	16.50	18.00	21.00	21.50
State bankruptcy, and so the path to a failed state. Credit ratings drop to junk, sovereign debt default, debt restructure. Lack of funds to pay public sector employees' wages and social grants, persistent government services outages, civil unrest/war. Partial loss of commercial private sector property rights under state custodianship. SA economic depression, global economy falls into recession, global financial crisis.									

**Note:** Event risk begins Q4.17 Source: Investec, IRESS



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26<sup>th</sup> February 2018

**Figure 8: Exchange rate forecasts**

	Q1.18	Q2.18	Q3.18	Q4.18	Q1.19	Q2.19	Q3.19	Q4.19
<b>Previous up case (10%)</b>								
USD/ZAR (AV)	11.70	11.15	10.70	10.50	10.55	10.30	10.40	10.55
GBP/ZAR (Av)	15.80	15.25	14.82	14.66	14.66	14.42	14.56	14.77
EUR/ZAR (Av)	13.86	13.27	12.89	12.76	12.87	12.57	12.69	12.87
ZAR/JPY (Av)	9.49	9.78	10.00	10.05	10.14	10.49	10.38	10.24
<b>Current up case (12%)</b>								
USD/ZAR (AV)	11.70	11.15	10.70	10.50	10.50	10.30	10.25	10.20
GBP/ZAR (Av)	16.16	15.55	14.82	14.66	14.76	14.49	14.40	14.38
EUR/ZAR (Av)	14.16	13.49	12.89	12.76	12.92	12.82	12.81	12.80
ZAR/JPY (Av)	9.47	9.73	10.00	10.05	9.95	10.10	10.15	10.20
<b>Previous expected case (34%)</b>								
USD/ZAR (AV)	12.65	12.40	12.40	12.50	12.30	12.10	11.90	11.80
GBP/ZAR (Av)	17.08	16.96	17.17	17.46	17.10	16.94	16.66	16.52
EUR/ZAR (Av)	14.99	14.76	14.94	15.19	15.01	14.76	14.52	14.40
ZAR/JPY (Av)	8.77	8.79	8.63	8.44	8.70	8.93	9.08	9.15
<b>Current expected case (45%)</b>								
USD/ZAR (AV)	11.90	11.65	11.65	11.55	11.50	11.35	11.40	11.40
GBP/ZAR (Av)	16.44	16.25	16.14	16.13	16.17	15.97	16.01	16.08
EUR/ZAR (Av)	14.40	14.10	14.04	14.03	14.15	14.13	14.25	14.31
ZAR/JPY (Av)	9.31	9.31	9.18	9.13	9.09	9.16	9.12	9.12

Source: Investec

and actually result in the up case occurring (see figures 7 and 8), if the economic growth and employment rates achieved were fast enough. The rand is currently running at the previous (Q4.17) up case currency forecast figures for Q1.18, (see figure 4 and “Economic outlook 2017–2022: Strengthening global growth outlook spurs risk-on; SA growth remains dissociated from the global trend”, 9<sup>th</sup> October 2017, see website address below).

**Figure 9: Exchange rate forecasts**

**Current Extreme up case (1%)**

USD/ZAR	11.50	10.75	10.00	9.50	9.00	8.60	7.90	7.60
GBP/ZAR (Av)	15.89	14.99	13.85	13.27	12.65	12.10	11.10	10.72
EUR/ZAR (Av)	13.92	13.01	12.05	11.54	11.07	10.71	9.88	9.54
ZAR/JPY (Av)	9.64	10.09	10.70	11.11	11.61	12.09	13.16	13.68

**Previous Extreme up case (1%)**

USD/ZAR (AV)	10.75	10.00	9.50	9.00	8.60	7.90	7.60	7.40
GBP/ZAR (Av)	14.51	13.68	13.16	12.57	11.95	11.06	10.64	10.36
EUR/ZAR (Av)	12.74	11.90	11.45	10.94	10.49	9.64	9.27	9.03
ZAR/JPY (Av)	10.33	10.90	11.26	11.72	12.44	13.67	14.21	14.59

Source: Investec



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26<sup>th</sup> February 2018

**Figure 10: Reuters January 2018 Foreign exchange rates poll: ZAR/USD**

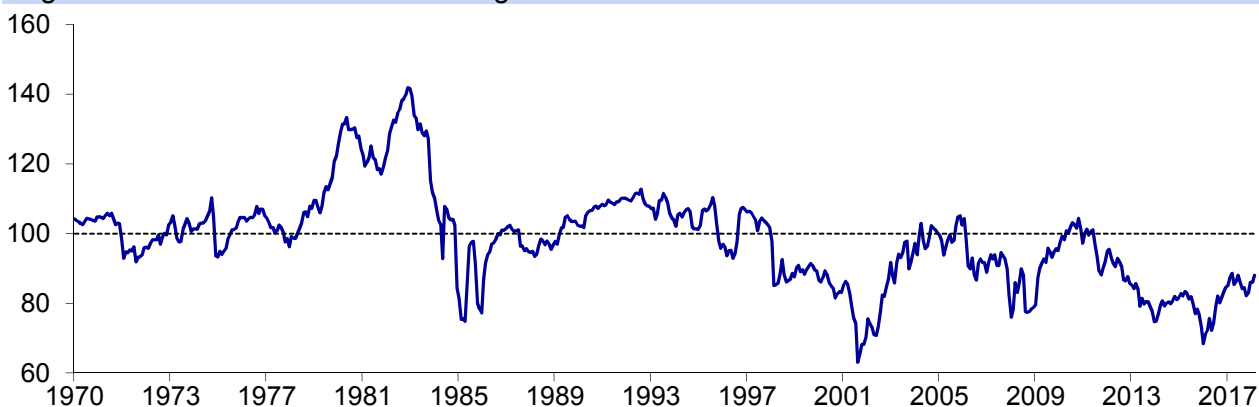
	One month	3 Months	6 Months	12 months
<b>November 2017</b>				
Median	14.01	14.00	13.90	14.00
Highest forecast	14.50	14.95	15.35	15.34
Lowest forecast	13.00	12.50	12.75	12.50
Number of forecasts	21	28	27	26
<b>December 2017</b>				
Median	14.00	14.10	14.14	14.30
Highest forecast	15.00	14.87	15.05	15.50
Lowest forecast	12.50	12.38	12.25	12.63
Number of forecasts	28	34	34	34
<b>January 2018</b>				
Median	12.30	12.50	12.53	12.70
Highest forecast	14.37	14.44	14.44	19.50
Lowest forecast	11.80	11.67	11.50	11.00
Number of forecasts	36	40	40	35
<b>February 2018</b>				
Median	12.30	12.50	12.53	12.70
Highest forecast	14.37	14.44	14.44	19.50
Lowest forecast	11.80	11.67	11.50	11.00
Number of forecasts	36	40	40	35

Source: Reuters

However, while the exchange rate has moved into the previous up case currency forecast range, it will take much to lift the economy to the GDP growth rate levels of the up case.

The reduction in political uncertainty has fed rapidly through into the domestic currency, but will take

**Figure 11: SA's real effective exchange rate**



Source: SARB



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26<sup>th</sup> February 2018

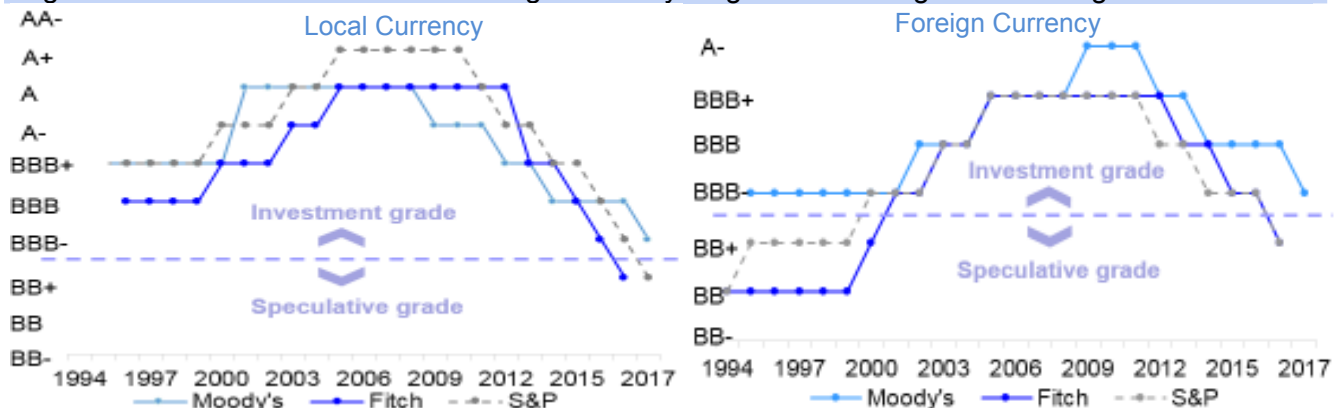
Figure 12: Exchange rate forecasts

	Q1.18	Q2.18	Q3.18	Q4.18	Q1.19	Q2.19	Q3.19	Q4.19
<b>Previous down case (33%)</b>								
USD/ZAR (AV)	13.50	14.90	15.80	16.90	17.80	18.50	19.50	17.90
GBP/ZAR (Av)	18.23	20.38	21.88	23.60	24.74	25.90	27.30	25.06
EUR/ZAR (Av)	16.00	17.73	19.04	20.53	21.72	22.57	23.79	21.84
ZAR/JPY (Av)	8.22	7.32	6.77	6.24	6.01	5.84	5.54	6.03
<b>Current down case (27%)</b>								
USD/ZAR (AV)	12.35	13.50	14.90	15.80	16.90	17.80	18.50	19.50
GBP/ZAR (Av)	17.06	18.83	20.64	22.07	23.76	25.04	25.98	27.50
EUR/ZAR (Av)	14.95	16.34	17.95	19.20	20.79	22.16	23.13	24.47
ZAR/JPY (Av)	8.97	8.04	7.18	6.68	6.18	5.84	5.62	5.33
<b>Previous extreme down case (22%)</b>								
USD/ZAR (AV)	15.00	17.00	19.00	21.00	22.80	24.00	25.50	26.00
GBP/ZAR (Av)	20.25	23.25	26.32	29.33	31.69	33.60	35.70	36.40
EUR/ZAR (Av)	17.78	20.23	22.90	25.52	27.82	29.28	31.11	31.72
ZAR/JPY (Av)	7.40	6.41	5.63	5.02	4.69	4.50	4.24	4.15
<b>Current extreme down case (15%)</b>								
USD/ZAR (AV)	12.90	15.00	17.00	19.00	21.00	22.80	24.00	25.50
GBP/ZAR (Av)	17.82	20.92	23.55	26.53	29.52	32.07	33.71	35.96
EUR/ZAR (Av)	15.61	18.15	20.49	23.09	25.83	28.39	30.00	32.00
ZAR/JPY (Av)	8.59	7.23	6.29	5.55	4.98	4.56	4.33	4.08

Source: Investec

a substantially longer time to feed through into the economy. While the early business confidence reading shows a lift, nothing is available yet on fixed investment, GDP growth or consumption for 2018 as it is still too early in the year. GDP growth is now expected to be slightly stronger in 2018, at 1.5% y/y compared to closer to 1.0% y/y previously, and at 2.0% y/y in 2019 from closer to 1.5% y/y.

Figure 13: South African local and foreign currency long-term sovereign credit ratings



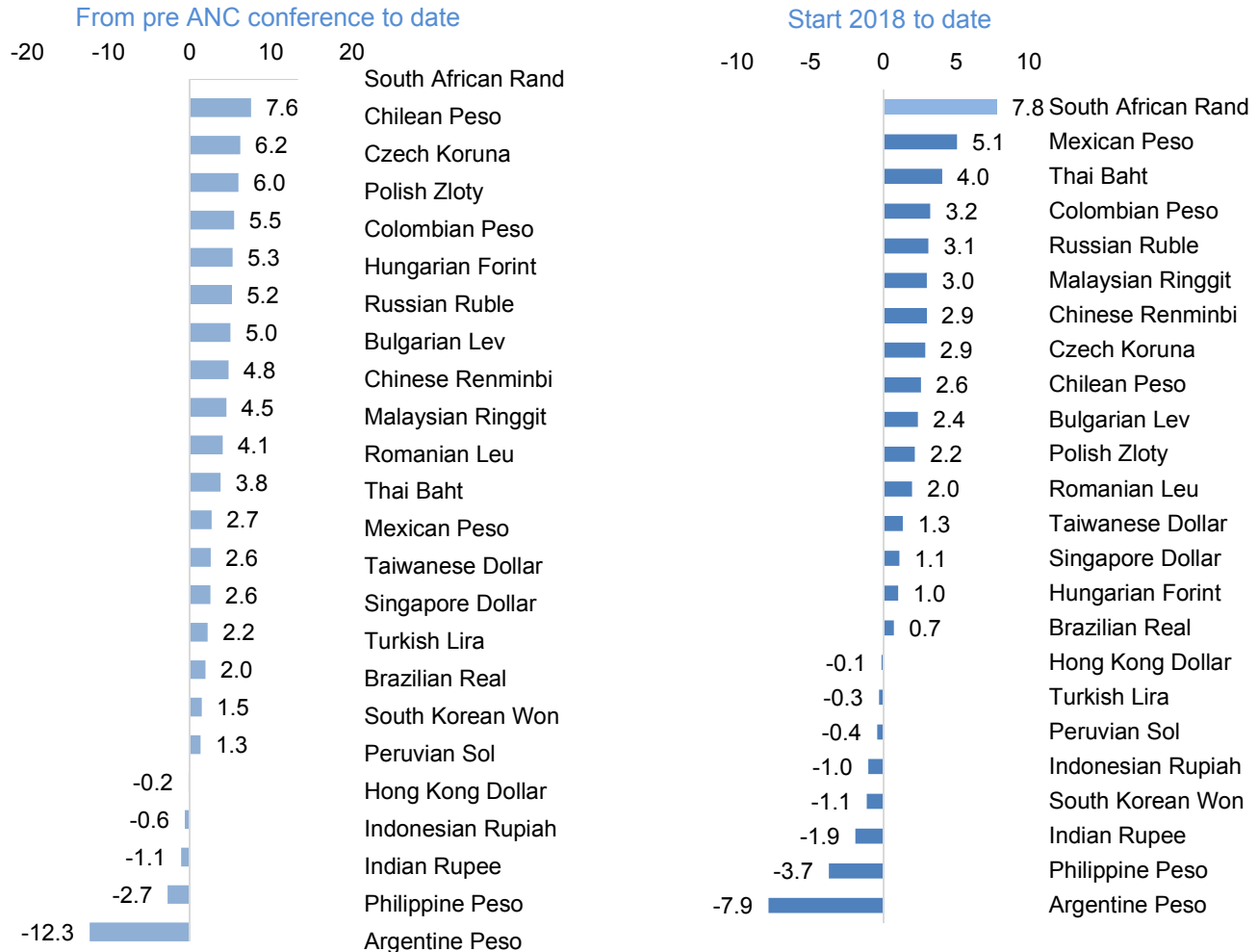
Source: Moody's, Fitch, Standard and Poor's



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26<sup>th</sup> February 2018

**Figure 14: EM currency depreciation (-) %, appreciation (+) %**



Source: Bloomberg

Globally the lengthy low volatility period in financial markets has been broken, with a recent correction that saw the VIX (stock market implied volatility indexed measure) spike to just below 50, reflecting sudden global risk off, with the rand depreciating to R12.19/USD, R14.93/EUR and R16.96 from the low reached several days earlier of R11.79/USD, R14.69/EUR and R16.73 in strong global risk-on. Subsequently, stock markets have recovered some lost ground, as the correction has proved welcome in an environment that was becoming overblown. Indeed, last year the risk of a financial crisis was being debated, not least due to the growing time-period since the previous one, with a higher interest rate environment seen as a risk for increased corporate stress, where corporate credit ratings had already fallen (see Q4.17 Economic outlook 2017–2022: Strengthening global growth outlook spurs risk-on; SA growth remains dissociated from the global trend”, 9<sup>th</sup> October 2018, see website address below). However, the risk highlighted for a steepening in US interest rate hike expectations has now happened (see figures 8 and 9), with the US expected to raise interest rates by about 1.50% in its

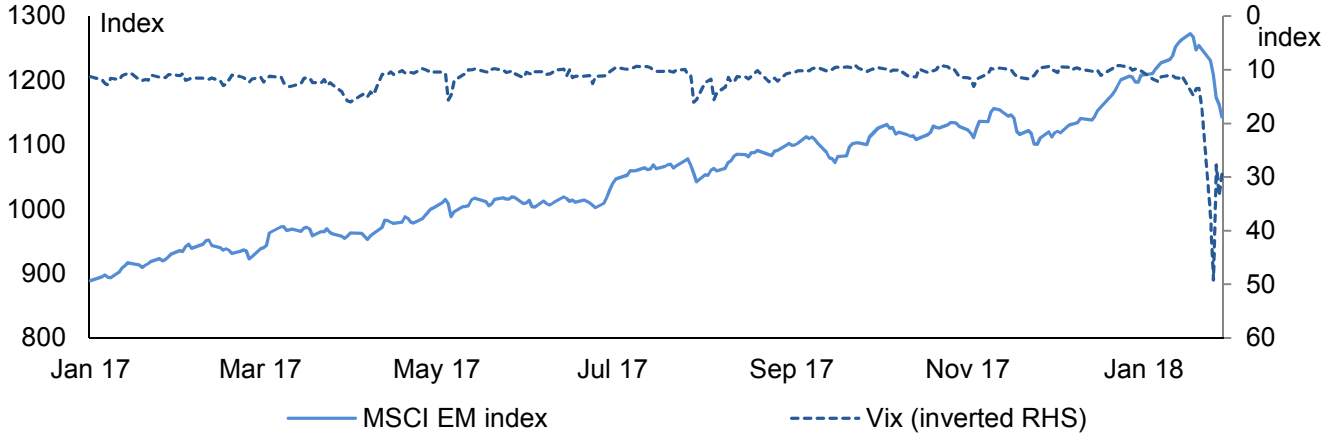




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26<sup>th</sup> February 2018

Figure 15: Vix, MSCI EM index and

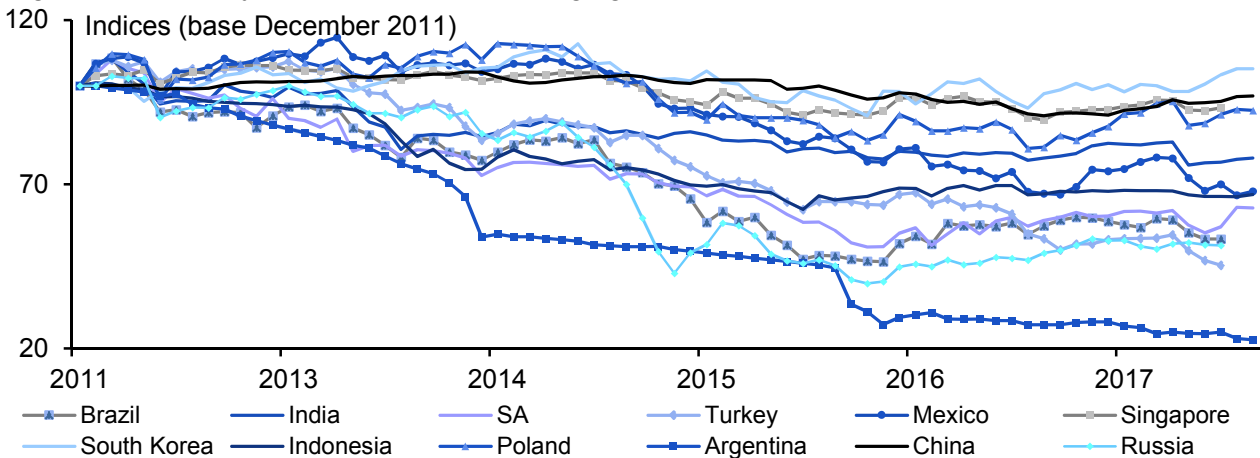


Source: Bloomberg

dot-plot trajectory (see figure 9), with markets still anticipating a lower outcome of potentially around a 100bp lift, although up from Q4.17's expectation of a 75bp lift. Incoming Chair, Jerome Powell, is seen as fairly neutral on US monetary policy, and his first FOMC statement will be eagerly awaited (March 21<sup>st</sup> 2018) with the FOMC recently reiterating that its monetary policy is not unidirectional (not necessarily only hike dependent). The rand remains at risk of further near term weakness, with the upcoming Moody's rating review scheduled on or before 23<sup>rd</sup> March.

South Africa is only expected to see economic growth of around 1.5% y/y this year, and slightly higher next year, which can be brought back towards 2016's 0.3% y/y instead if private sector spending power stalls (on excessive tax hikes which fortunately did not materialize at the Budget, were VAT was hiked by only 1.0%). The credit rating agencies worry about SA's anaemic economic growth rate, and concomitant poor GDP per capita performance, just as much as they worry about

Figure 16: Volatility index for selected emerging market currencies



Sources: IRESS, Investec



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26<sup>th</sup> February 2018

**Figure 17: Market (fed fund futures) expectations for hikes/no hike at each meeting**

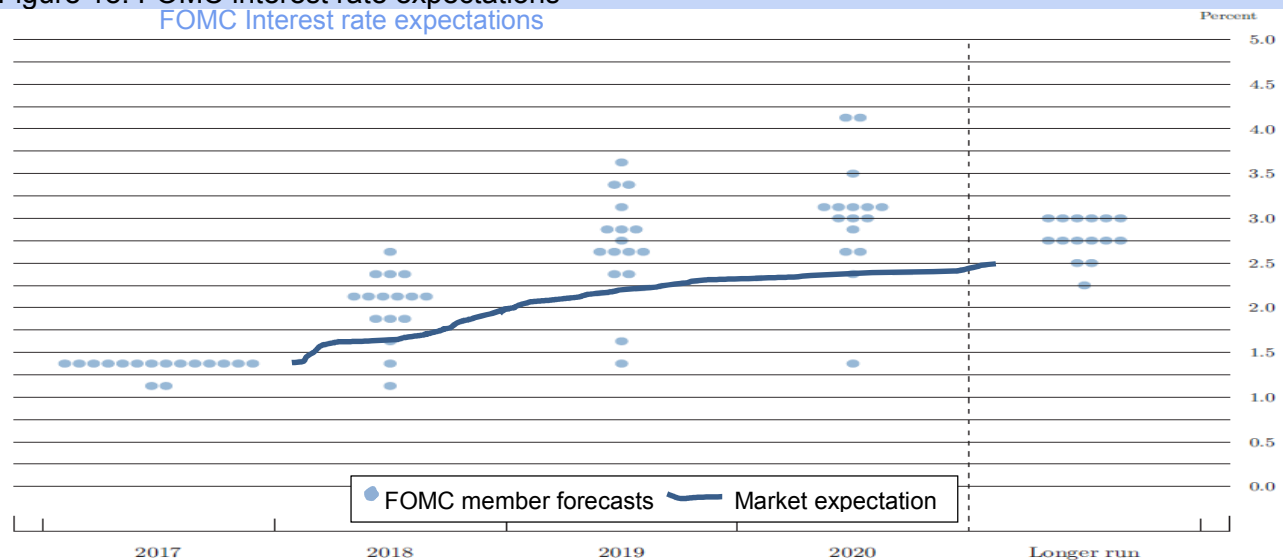
	Mar	May	Jun	Aug	Sept	Nov	Dec	Jan 2019
	1.50-1.75	1.50-1.75	1.75-2.00	1.75-2.00	1.75-2.00	1.75-2.00	1.75-2.00	1.75-2.00
Current	90%	86%	53%	52%	46%	43%	36%	34%
A week ago	77%	75%	36%	38%	40%	40%	37%	37%
Two weeks ago	87%	86%	58%	54%	43%	40%	32%	31%
A month ago	87%	67%	55%	38%	47%	46%	38%	37%
Two months ago	69%	55%	38%	24%	40%	40%	33%	38%
Three months ago	55%	36%	22%	14%	29%	30%	25%	33%
Four months ago	35%	7.4%	1.3%	1.0%	3%	3.0%	8%	25%
Six months ago	13%							

Source: Bloomberg

fiscal consolidation. Should SA avoid a Moody's credit rating downgrade in Q1.18 the rand could strengthen somewhat further, but will be constrained thereafter until evidence emerges of stronger GDP growth.

Internationally, the euro could strengthen further as higher interest rates for the euro zone are priced in by the markets on faster GDP growth expectations, while in the US higher interest rates over the next few years have already been priced in by the markets. The USD is expected to resume a weakening trend as a result, which means the rand could gain somewhat further against the euro. The rand is expected to reach purchasing power parity against the USD in 2021, if not before should the SA economy migrate into the up case (see figure 1). In this environment then the probabilities will tilt further towards the up case, as credit rating upgrades become likely.

**Figure 18: FOMC interest rate expectations**



Source: Bloomberg & Federal Reserve Bank



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26<sup>th</sup> February 2018

Figure 19: Exchange rate history and forecast: annual averages

	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>EURUSD</b>	1.11	1.11	1.13	1.21	1.25	1.25	1.25	1.25	1.25
<b>EURGBP</b>	0.73	0.82	0.88	0.87	0.89	0.89	0.89	0.89	0.89
<b>GBPEUR</b>	1.38	1.22	1.14	1.15	1.13	1.12	1.12	1.12	1.12
<b>GBPUSD</b>	1.53	1.36	1.29	1.39	1.41	1.40	1.40	1.40	1.40
<b>USDJPY</b>	115	114	112	108	104	105	106	107	107
<b>EURJPY</b>	128	127	126	131	130	131	133	133	134
<b>GBPJPY</b>	176	155	145	150	146	147	148	149	150
<b>EURCHF</b>	1.09	1.07	1.11	1.17	1.20	1.21	1.21	1.19	1.19
<b>USDCHF</b>	0.98	0.97	0.98	0.96	0.97	0.96	0.96	0.95	0.95
<b>GBPCHF</b>	1.49	1.31	1.27	1.34	1.36	1.35	1.34	1.33	1.33
<b>AUDUSD</b>	0.75	0.75	0.77	0.79	0.78	0.79	0.79	0.78	0.78
<b>EURAUD</b>	1.49	1.49	1.47	1.53	1.59	1.58	1.59	1.60	1.60
<b>AUDJPY</b>	86	85	86	85	81	83	83	83	83
<b>GBPAUD</b>	2.05	1.82	1.68	1.76	1.80	1.78	1.78	1.79	1.79
<b>ZARUSD</b>	12.76	14.68	13.30	11.69	11.41	11.13	10.91	11.25	11.68
<b>ZARGBP</b>	19.48	19.92	17.15	16.24	16.05	15.60	15.28	15.75	16.35
<b>ZAREUR</b>	14.15	16.26	15.01	14.14	14.21	13.91	13.64	14.06	14.59
<b>JPYZAR</b>	9.48	7.33	8.43	9.24	9.12	9.44	9.71	9.49	9.17
<b>ZARCHF</b>	13.26	14.93	13.51	12.13	11.80	11.59	11.37	11.84	12.29
<b>ZARAUD</b>	9.58	10.93	10.20	9.22	8.93	8.79	8.57	8.78	9.11

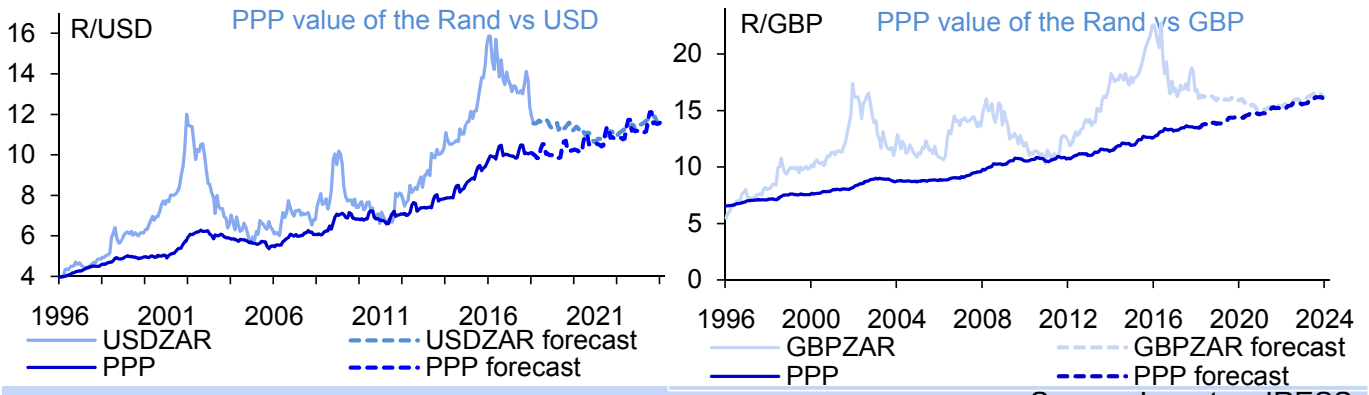
Source: IRESS, Investec



**Rand outlook: the probability to the downside has reduced materially, and the outlook for the expected case has strengthened towards 50%**

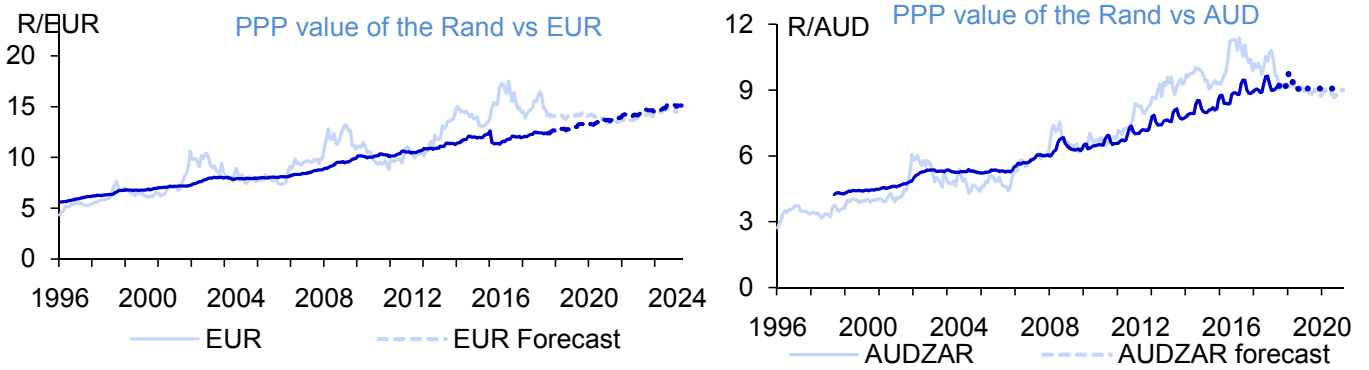
26<sup>th</sup> February 2018

Figure 20: Purchasing price parity value of the rand



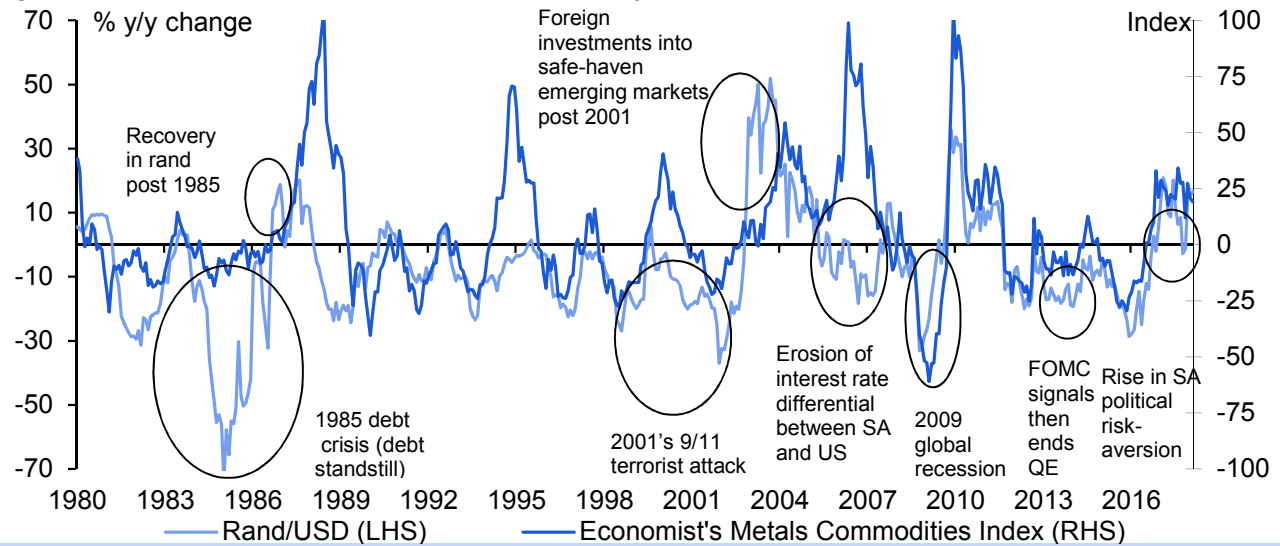
Source: Investec, IRESS

Figure 21: Purchasing price parity value of the rand



Source: Investec, IRESS

Figure 22: Rand vs Economist's metals commodity price index



Source: IRESS, Investec



Figure 23: Exchange rate history and forecast: annual averages

	2017				2018				2019			
	Q1.17	Q2.17	Q3.17	Q4.17	Q1.18	Q2.18	Q3.18	Q4.18	Q1.19	Q2.19	Q3.19	Q4.19
<b>EURUSD</b>	1.07	1.10	1.17	1.18	1.21	1.21	1.21	1.22	1.23	1.25	1.25	1.26
<b>EURGBP</b>	0.86	0.86	0.90	0.88	0.88	0.87	0.87	0.87	0.88	0.89	0.89	0.89
<b>GBPEUR</b>	1.16	1.16	1.11	1.13	1.14	1.15	1.15	1.15	1.14	1.13	1.12	1.12
<b>GBPUSD</b>	1.24	1.28	1.31	1.33	1.38	1.39	1.39	1.40	1.41	1.41	1.40	1.41
<b>USDJPY</b>	114	111	111	113	111	109	107	106	105	104	104	104
<b>EURJPY</b>	121	122	130	133	134	131	129	128	129	129	130	131
<b>GBPJPY</b>	141	142	145	150	153	151	148	147	147	146	146	147
<b>EURCHF</b>	1.07	1.08	1.13	1.16	1.17	1.16	1.17	1.18	1.19	1.21	1.21	1.21
<b>USDCHF</b>	1.00	0.98	0.96	0.99	0.96	0.96	0.97	0.97	0.97	0.97	0.97	0.96
<b>GBPCHF</b>	1.24	1.26	1.26	1.31	1.33	1.34	1.34	1.35	1.36	1.36	1.36	1.36
<b>AUDUSD</b>	0.76	0.75	0.79	0.77	0.79	0.79	0.79	0.79	0.79	0.79	0.78	0.78
<b>EURAUD</b>	1.41	1.47	1.48	1.53	1.54	1.53	1.53	1.54	1.56	1.59	1.60	1.62
<b>AUDJPY</b>	86	83	88	87	87	86	85	83	83	82	81	81
<b>GBPAUD</b>	1.64	1.70	1.66	1.73	1.76	1.77	1.75	1.77	1.78	1.79	1.80	1.82
<b>ZARUSD</b>	13.22	13.19	13.18	13.62	11.90	11.65	11.65	11.55	11.50	11.35	11.40	11.40
<b>ZARGBP</b>	16.38	16.88	17.24	18.11	16.44	16.25	16.14	16.13	16.17	15.97	16.01	16.08
<b>ZAREUR</b>	14.09	14.52	15.42	16.02	14.40	14.10	14.04	14.03	14.15	14.13	14.25	14.31
<b>JPYZAR</b>	8.59	8.42	8.42	8.29	9.31	9.31	9.18	9.13	9.09	9.16	9.12	9.12
<b>ZARCHF</b>	13.17	13.40	13.69	13.80	12.36	12.15	12.05	11.94	11.89	11.73	11.78	11.82
<b>ZARAUD</b>	10.02	9.90	10.40	10.47	9.35	9.20	9.20	9.12	9.09	8.91	8.89	8.84

Source: IRESS, Investec



Figure 23: Exchange rate history and forecast: annual averages

	2020				2021				2022			
	Q1.20	Q2.20	Q3.20	Q4.20	Q1.21	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	Q4.22
<b>EURUSD</b>	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
<b>EURGBP</b>	0.89	0.89	0.89	0.89	0.89	0.89	0.89	0.89	0.89	0.89	0.89	0.89
<b>GBPEUR</b>	1.13	1.12	1.12	1.12	1.12	1.12	1.12	1.12	1.12	1.12	1.12	1.12
<b>GBPUSD</b>	1.41	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
<b>USDJPY</b>	105	105	105	105	106	106	106	106	106	107	107	107
<b>EURJPY</b>	131	131	131	131	133	133	133	133	133	134	134	134
<b>GBPJPY</b>	148	147	147	147	148	148	148	148	148	150	150	150
<b>EURCHF</b>	1.21	1.21	1.21	1.21	1.21	1.21	1.21	1.20	1.19	1.19	1.19	1.19
<b>USDCHF</b>	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.95	0.95	0.95	0.95
<b>GBPCHF</b>	1.35	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.33	1.33	1.33	1.33
<b>AUDUSD</b>	0.79	0.79	0.79	0.79	0.79	0.79	0.78	0.78	0.78	0.78	0.78	0.78
<b>EURAUD</b>	1.58	1.58	1.58	1.58	1.58	1.58	1.60	1.60	1.60	1.60	1.60	1.60
<b>AUDJPY</b>	83	83	83	83	84	84	83	83	83	83	83	83
<b>GBPAUD</b>	1.78	1.77	1.77	1.77	1.77	1.77	1.79	1.79	1.79	1.79	1.79	1.79
<b>ZARUSD</b>	11.35	11.25	11.05	10.85	10.75	10.85	11.00	11.05	11.05	11.25	11.35	11.35
<b>ZARGBP</b>	16.00	15.75	15.47	15.19	15.05	15.19	15.40	15.47	15.47	15.75	15.89	15.89
<b>ZAREUR</b>	14.19	14.06	13.81	13.56	13.44	13.56	13.75	13.81	13.81	14.06	14.19	14.19
<b>JPYZAR</b>	9.25	9.33	9.50	9.68	9.86	9.77	9.64	9.59	9.59	9.51	9.43	9.43
<b>ZARCHF</b>	11.82	11.72	11.51	11.30	11.20	11.30	11.46	11.51	11.63	11.84	11.95	11.95
<b>ZARAUD</b>	8.97	8.89	8.73	8.57	8.49	8.57	8.58	8.62	8.62	8.78	8.85	8.85

Source: IRESS, Investec



Figure 24: CPI forecast averages

Date	Index Base 2010	Annual y/y	Monthly m/m	Quarterly y/y	Calendar year y/y	
Jan 2017	100.6	6.6	0.6			
Feb 2017	101.7	6.3	1.1			
Mar 2017	102.3	6.1	0.6	6.3		
Apr 2017	102.4	5.3	0.1			
May 2017	102.7	5.4	0.3			
Jun 2017	102.9	5.1	0.2	5.3		
Jul 2017	103.2	4.6	0.3			
Aug 2017	103.3	4.8	0.1			
Sep 2017	103.8	5.1	0.5	4.8		
Oct 2017	104.1	4.8	0.3			
Nov 2017	104.2	4.6	0.1			
Dec 2017	104.5	4.7	0.5	4.7	2017	5.3
Jan 2018	105.2	4.4	0.3			
Feb 2018	106.2	4.0	0.7			
Mar 2018	106.7	4.2	0.8	4.2		
Apr 2018	107.0	4.9	0.8			
May 2018	107.5	4.8	0.2			
Jun 2018	107.8	4.9	0.3	4.9		
Jul 2018	108.3	5.3	0.6			
Aug 2018	108.5	5.4	0.2			
Sep 2018	108.9	5.2	0.3	5.3		
Oct 2018	109.2	5.2	0.3			
Nov 2018	109.5	5.4	0.3			
Dec 2018	109.8	5.2	0.3	5.3	2018	4.9
Jan 2019	110.4	5.4	0.5			
Feb 2019	111.4	5.1	0.4			
Mar 2019	112.4	5.1	0.8	5.2		
Apr 2019	112.6	5.0	0.7			
May 2019	112.8	5.0	0.2			
Jun 2019	113.1	4.9	0.2	5.0		
Jul 2019	113.8	5.0	0.7			
Aug 2019	114.4	5.3	0.5			
Sep 2019	115.0	5.6	0.6	5.3		
Oct 2019	115.6	5.7	0.5			
Nov 2019	116.0	5.8	0.4			
Dec 2019	116.4	5.8	0.3	5.8	2019	5.3

Source: Stats SA, Investec



Figure 24: CPI forecast averages

Date	Index Base 2010	Annual y/y	Monthly m/m	Quarterly y/y	Calendar year y/y
Jan 2020	117.2	5.8	0.5		
Feb 2020	118.2	6.4	0.9		
Mar 2020	118.7	6.0	0.4	6.1	
Apr 2020	119.0	5.4	0.2		
May 2020	119.4	5.6	0.4		
Jun 2020	119.8	5.7	0.3	5.6	
Jul 2020	120.6	5.7	0.7		
Aug 2020	120.9	5.4	0.2		
Sep 2020	121.4	5.3	0.4	5.5	
Oct 2020	121.6	5.0	0.2		
Nov 2020	122.1	5.0	0.4		
Dec 2020	122.4	5.0	0.3	5.0	2020 5.5
Jan 2021	123.1	5.1	0.6		
Feb 2021	124.4	5.2	1.0		
Mar 2021	124.8	5.2	0.4	5.1	
Apr 2021	125.2	5.3	0.3		
May 2021	125.7	5.3	0.4		
Jun 2021	126.0	5.2	0.2	5.2	
Jul 2021	127.0	5.3	0.8		
Aug 2021	127.7	5.7	0.6		
Sep 2021	128.3	5.7	0.4	5.6	
Oct 2021	128.6	5.8	0.3		
Nov 2021	128.9	5.6	0.2		
Dec 2021	129.3	5.6	0.3	5.7	2021 5.4

Source: Stats SA, Investec





Rand outlook: the probability to the downside has reduced materially, and the outlook for the expected case has strengthened towards 50%

26<sup>th</sup> February 2018

Figure 25: Interest rate forecast end rates

Date	Prime forecast	Prime less Inflation	Repo	Repo less Inflation
Jan 2017	10.50	3.9	7.00	0.4
Feb 2017	10.50	4.2	7.00	0.7
Mar 2017	10.50	4.4	7.00	0.9
Apr 2017	10.50	5.2	7.00	1.7
May 2017	10.50	5.1	7.00	1.6
Jun 2017	10.50	5.4	7.00	1.9
Jul 2017	10.25	5.7	6.75	2.2
Aug 2017	10.25	5.5	6.75	2.0
Sep 2017	10.25	5.2	6.75	1.7
Oct 2017	10.25	5.4	6.75	1.9
Nov 2017	10.25	5.6	6.75	2.1
Dec 2017	10.25	5.5	6.75	2.0
Jan 2018	10.25	5.9	6.75	2.4
Feb 2018	10.25	6.3	6.75	2.8
Mar 2018	10.25	6.1	6.75	2.6
Apr 2018	10.25	5.3	6.75	1.8
May 2018	10.25	5.4	6.75	1.9
Jun 2018	10.25	5.3	6.75	1.8
Jul 2018	10.25	5.0	6.75	1.5
Aug 2018	10.25	4.9	6.75	1.4
Sep 2018	10.25	5.1	6.75	1.6
Oct 2018	10.25	5.1	6.75	1.6
Nov 2018	10.25	4.8	6.75	1.3
Dec 2018	10.25	5.0	6.75	1.5
Jan 2019	10.25	4.8	6.75	1.3
Feb 2019	10.25	5.1	6.75	1.6
Mar 2019	10.25	5.1	6.75	1.6
Apr 2019	10.25	5.2	6.75	1.7
May 2019	10.25	5.2	6.75	1.7
Jun 2019	10.25	5.3	6.75	1.8
Jul 2019	10.25	5.2	6.75	1.7
Aug 2019	10.25	4.9	6.75	1.4
Sep 2019	10.25	4.7	6.75	1.2
Oct 2019	10.25	4.5	6.75	1.0
Nov 2019	10.25	4.4	6.75	0.9
Dec 2019	10.25	4.4	6.75	0.9

Source: IRESS, Investec



Rand outlook: the probability to the downside has reduced materially, and the outlook for the expected case has strengthened towards 50%

26<sup>th</sup> February 2018

Figure 25: Interest rate forecast end rates -continued

Date	Prime forecast	Prime less Inflation	Repo	Repo less Inflation
Jan 2020	10.25	4.4	6.75	0.9
Feb 2020	10.25	3.9	6.75	0.4
Mar 2020	10.25	4.3	6.75	0.8
Apr 2020	10.25	4.8	6.75	1.3
May 2020	10.25	4.6	6.75	1.1
Jun 2020	10.25	4.5	6.75	1.0
Jul 2020	10.25	4.5	6.75	1.0
Aug 2020	10.25	4.8	6.75	1.3
Sep 2020	10.25	5.0	6.75	1.5
Oct 2020	10.25	5.2	6.75	1.7
Nov 2020	10.25	5.2	6.75	1.7
Dec 2020	10.25	5.2	6.75	1.7
Jan 2021	10.25	5.2	6.75	1.7
Feb 2021	10.25	5.1	6.75	1.6
Mar 2021	10.25	5.1	6.75	1.6
Apr 2021	10.25	5.0	6.75	1.5
May 2021	10.25	5.0	6.75	1.5
Jun 2021	10.25	5.1	6.75	1.6
Jul 2021	10.25	5.0	6.75	1.5
Aug 2021	10.25	4.6	6.75	1.1
Sep 2021	10.25	4.6	6.75	1.1
Oct 2021	10.25	4.5	6.75	1.0
Nov 2021	10.25	4.7	6.75	1.2
Dec 2021	10.25	4.7	6.75	1.2
Jan 2022	10.25	4.5	6.75	1.0
Feb 2022	10.25	4.5	6.75	1.0
Mar 2022	10.25	4.5	6.75	1.0
Apr 2022	10.25	4.5	6.75	1.0
May 2022	10.25	4.7	6.75	1.2
Jun 2022	10.25	4.6	6.75	1.1
Jul 2022	10.25	4.7	6.75	1.2
Aug 2022	10.25	5.0	6.75	1.5
Sep 2022	10.25	5.0	6.75	1.5
Oct 2022	10.25	4.9	6.75	1.4
Nov 2022	10.25	4.9	6.75	1.4
Dec 2022	10.25	5.0	6.75	1.5

Source: IRESS, Investec



## Rand outlook: the probability to the downside has reduced materially, and the outlook for the expected case has strengthened towards 50%

26<sup>th</sup> February 2018

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