

Bonds firmer as Treasury takes firm stand against Zuma step

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The South African bond market was firmer in late afternoon trade as finance minister, Pravin Gordhan, received a standing ovation at struggle stalwart Ahmed Kathrada's funeral.

The rand strengthened in response, as the market took the view that Treasury would not be a pushover in any future plans by President Jacob Zuma to fire Gordhan.

This followed an earlier release from Treasury in which further detail was provided on the international investor road show, from which Gordhan was recalled by Zuma.



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"Treasury has shown it was standing firm against Zuma, while the anti-Zuma rhetoric at the Kathrada funeral created more positive sentiment," a trader said.

At 3.36pm the yield on the R186 was at 8.69% from 8.73% and the R207 was at 7.665% from 7.73%.

The rand was at R12.9292 against the dollar from a previous close of R12.9901. The rand reached an intraday weakest

level of R13.1587.

Treasury said in its statement, government on a weekly basis needed to borrow more than R13bn in the domestic market. Of government's total borrowing requirement, \$6bn needed to be raised in the international market over the next 3 years to partly meet government's foreign commitments.

It said that during the road show investors expressed concerns about the political environment and the risk that it could divert attention from setting policies aimed at accelerating growth and creating more work opportunities.

Futuregrowth portfolio manager, Wikus Furstenberg, said the bond index has returned an impressive 5.9% so far this year, driven by solid local economic data, lower US treasury yields and a weaker dollar.

"Although this is good news, local bonds are now very close to our bullish investment scenario," he said.

Source: *BDpro*

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