

Sarb pauses as South Africa's rand drops on firm dollar

By  Andre Cilliers

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On Thursday, 20 July, South Africa's currency experienced a decline due to the strength of the US dollar. The local central bank's decision to maintain its key interest rate, as anticipated, had a limited effect on the currency.



Source: Reuters.

Despite the South African Reserve Bank deciding to keep rates unchanged, the rand remains steady at R17.90. The Sarb is adopting a wait-and-see approach regarding further rate hikes, resulting in a non-unanimous decision, with two MPC members voting for a rate increase.

Inflation forecasts have been slightly adjusted downward for this year and 2024, while GDP has been revised upward. Nevertheless, inflation risks remain high, and the possibility of future rate hikes still exists.

The rand is currently trading below its 200-day moving average and appears to be stabilising within a range of R17.75 to R18.00. The next significant market event for the rand is expected to be the FOMC meeting next week.

Jobless claims surprise

In the US, there has been a surprise drop in jobless claims, leading to a 10bps increase in bond yields across the curve and strengthening the dollar. Analysts are now slightly more confident in predicting further rate hikes due to the robust US labour market.

The DXY index is at 100.80, with the dollar trading at 1.1140 against the euro, 1.2875 against the pound, and the yen back above the 140.00 handle.

Commodities flat

Commodities are trading flat this morning, with precious metals maintaining their gains from earlier in the week ahead of the upcoming FOMC rate decision.

Copper has seen a slight increase to \$8,500, driven by hopes of additional stimulus measures in China to support its struggling economy. Oil traders are also optimistic about Chinese stimulus boosting demand, leading to Brent trading above \$80.00.

ABOUT ANDRE CILLIERS

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