

Rand soft after Friday's US data

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The rand was soft on Monday morning (19 August), as good US economic data continued to pressure emerging market currencies, with the Indian rupee falling to = a new record-worst level.



"The soft start to the day is just a hangover from Friday's US housing data. Despite the softness, we are still within recent ranges. The rand would have to move above R10.14 to the dollar to start moving into a new range," a local foreign exchange trader said.

In morning trade the rand was bid at R10.0942 to the dollar from Friday's close of R10.0625 and Thursday's close of R9.9693.

Against the euro, the rand was bid at R13.4512 from its previous close of R13.3948 and was at R15.7705 against sterling from R15.7188 at its previous close.

The euro was bid at US\$1.3325 from US\$1.3322 at Friday's close and US\$1.3345 at Thursday's close.

Absa Capital said in its morning report that the balance of risks was still skewed heavily towards further rand weakness over the short- and medium-term.

"Despite firmer precious metal prices, the rand weakened to R10.08 to the dollar on Friday afternoon (16 August), its weakest level since early July in relation to the greenback," the bank noted.

"Friday's strong US housing data were the catalyst for the day's weakness, as these figures together with Thursday's encouraging US labour data heightened expectation that the Fed is likely to start scaling back on its monetary policy stimulus (in September).

"We suspect that this Wednesday's (21 August) Federal open market committee minutes will heighten tapering expectations further, which implies that the risk lies in further broad-based US dollar strength this week.

"The other international headwind for the rand to contend with this week will be Thursday's Chinese purchasing managers index data as the reading is likely to remain well below the critical 50 level, which would imply that the manufacturing sector

in SA's leading export destination is still contracting," the bank said.

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