

Rand weakness: The drivers and potential outcomes

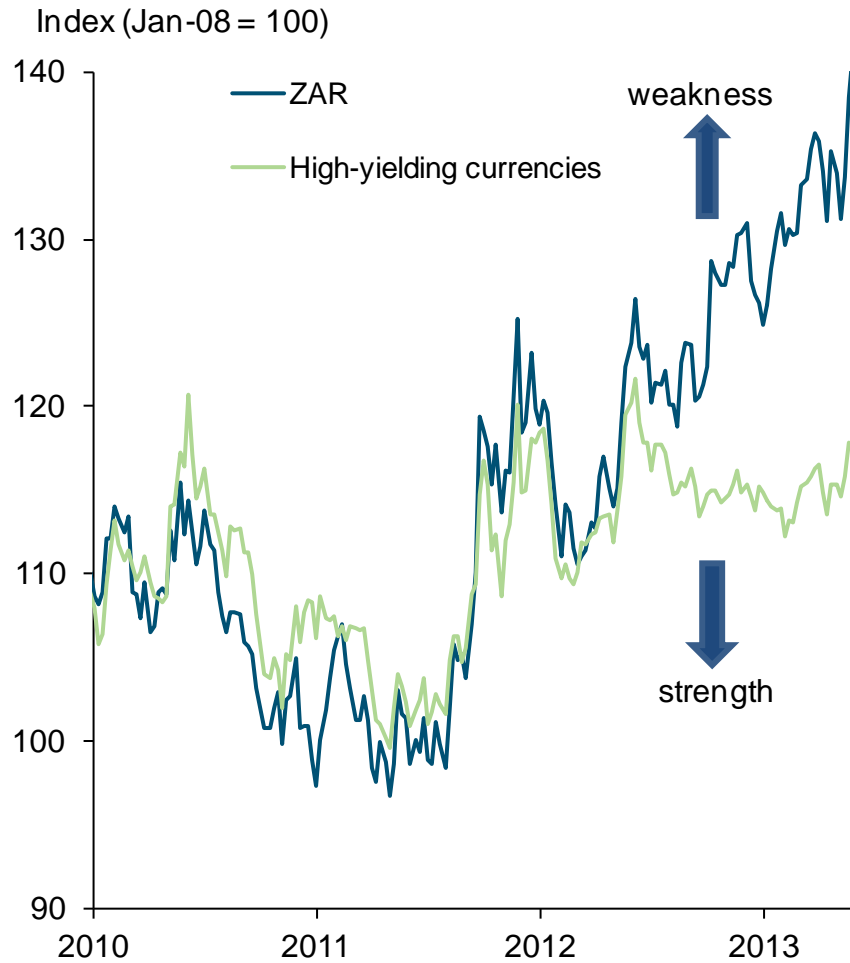
John Cairns, RMB Currency Strategist

May 2013, conference call

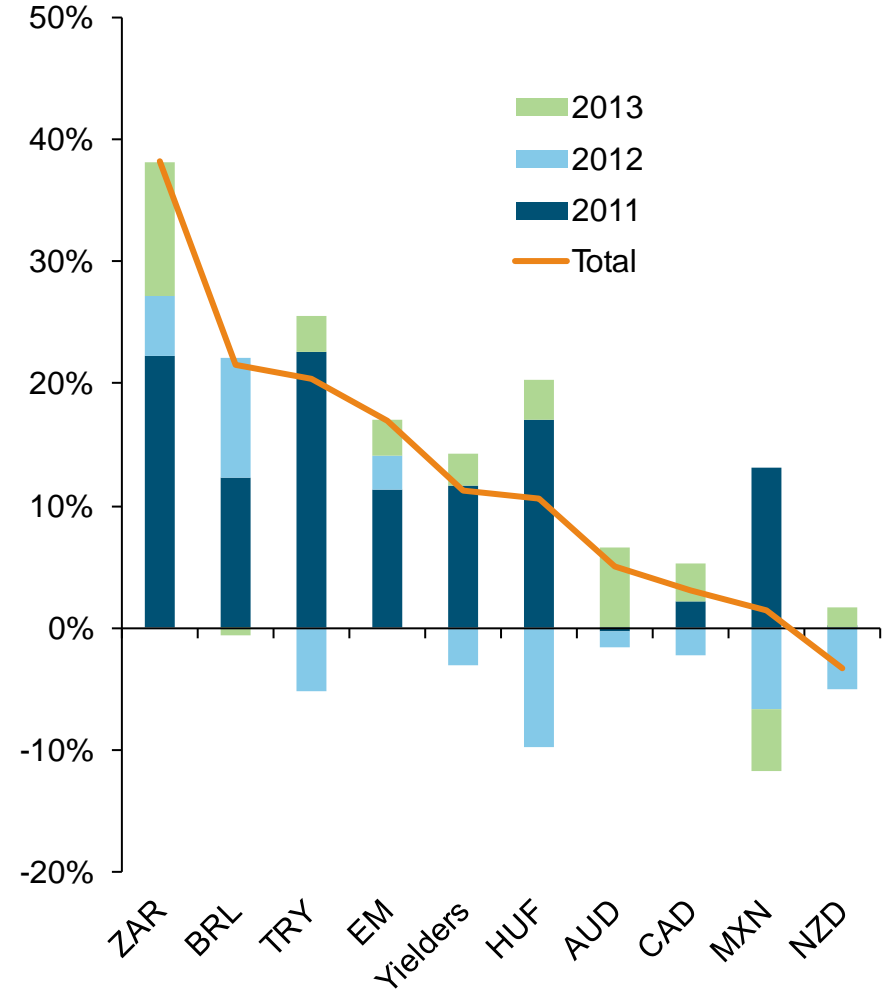


Rand underperformance

USD/ZAR and other high-yielding currencies



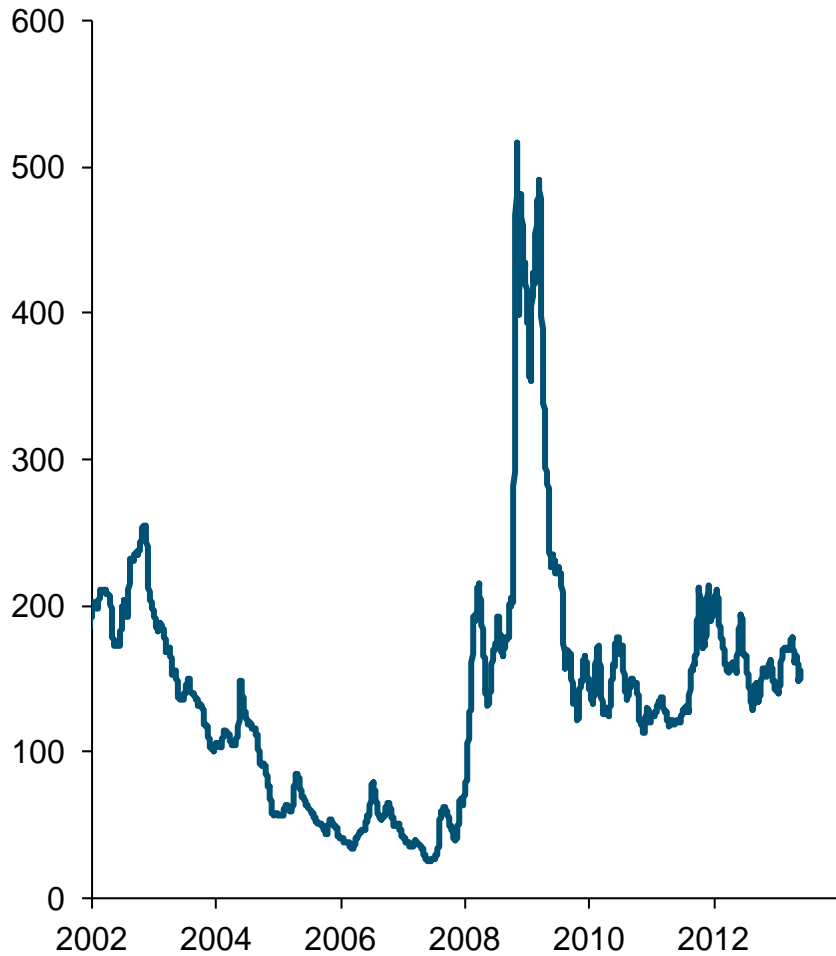
Currency changes in the past three years



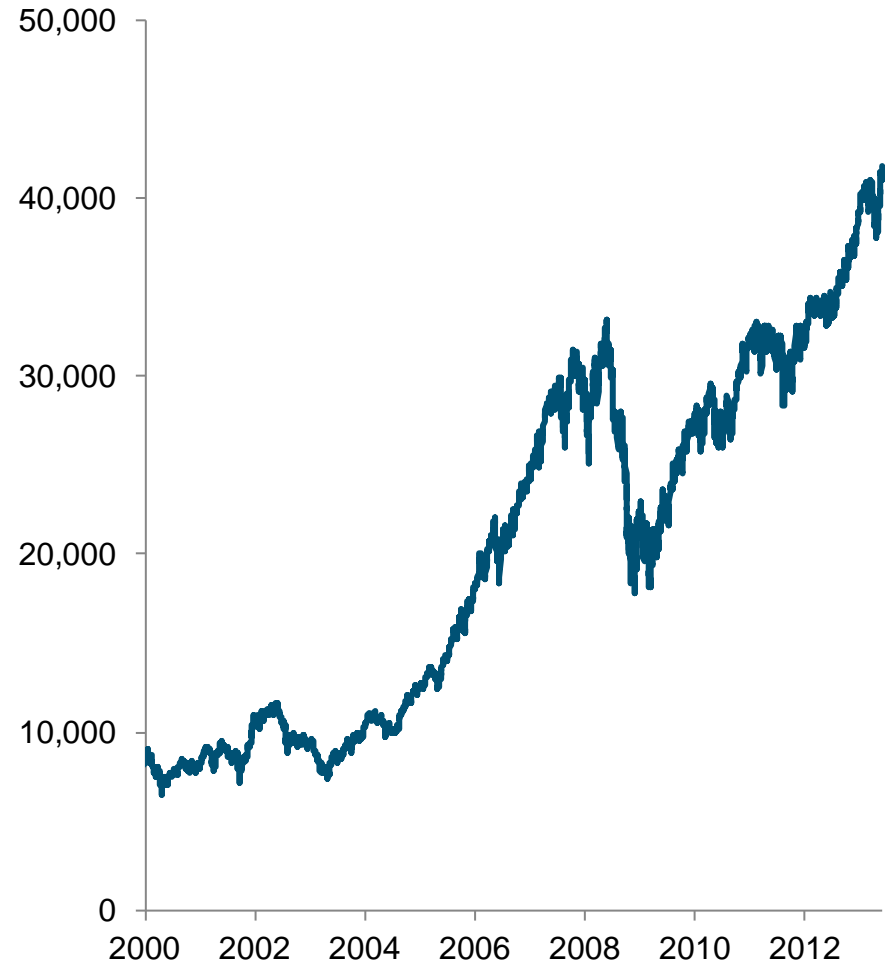
It's only the rand that is struggling



SA CDS spreads



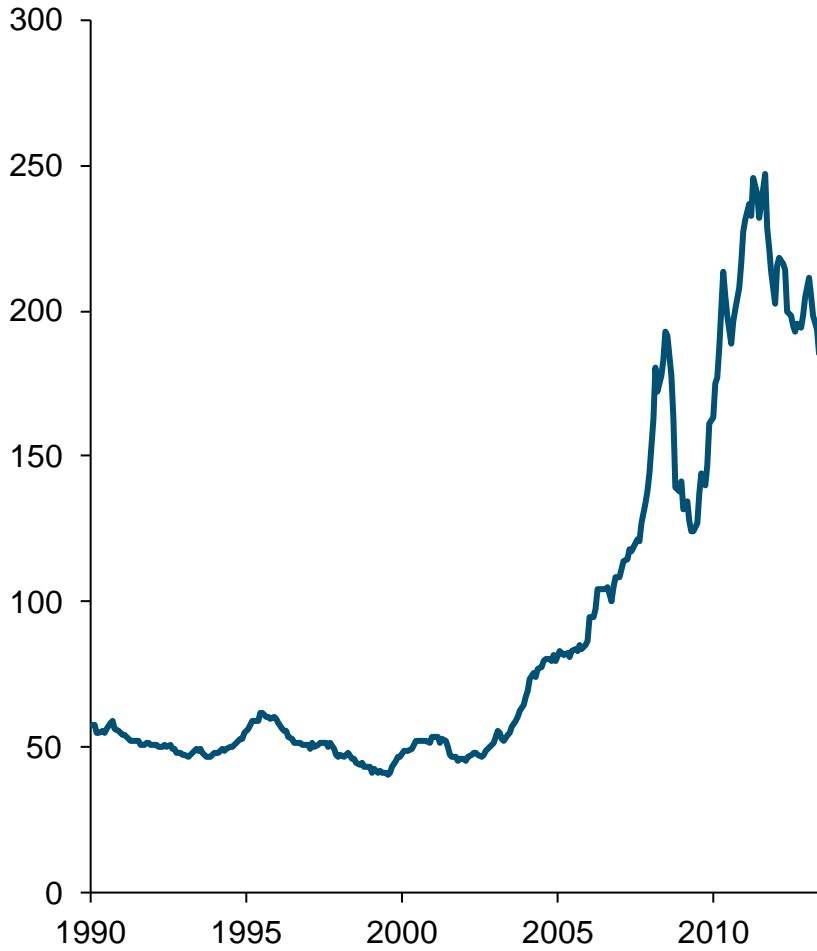
JSE All Share index



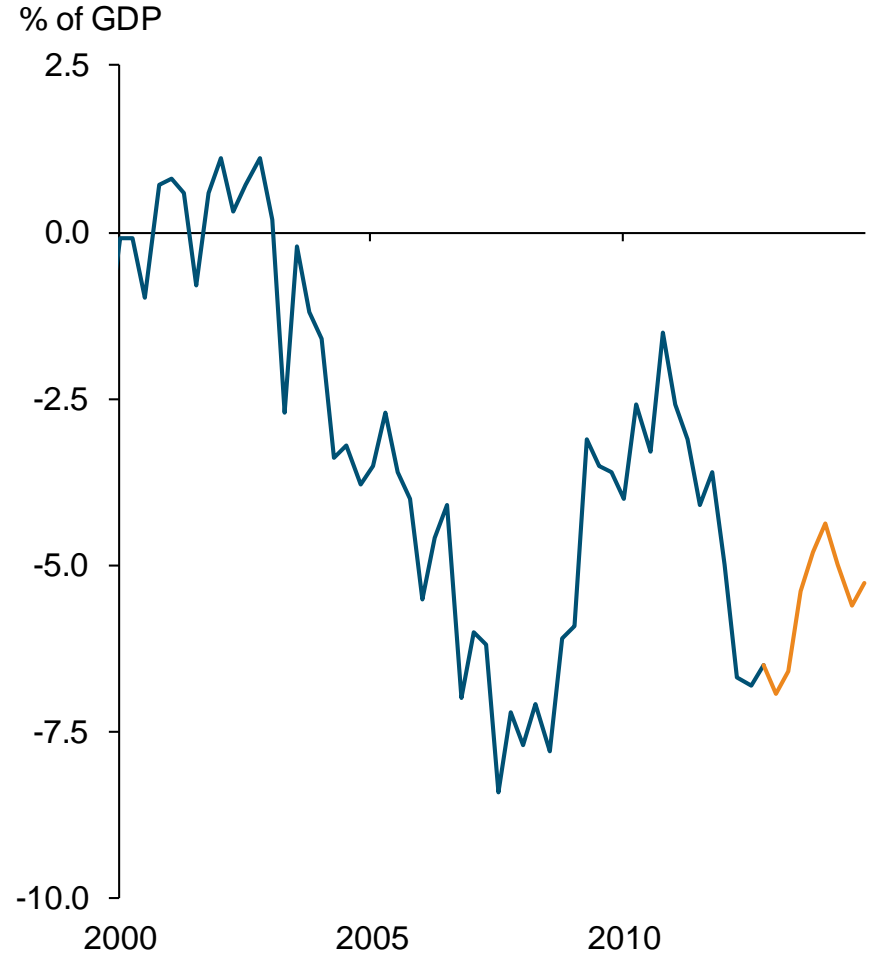


Two structural negatives

Commodity export price index



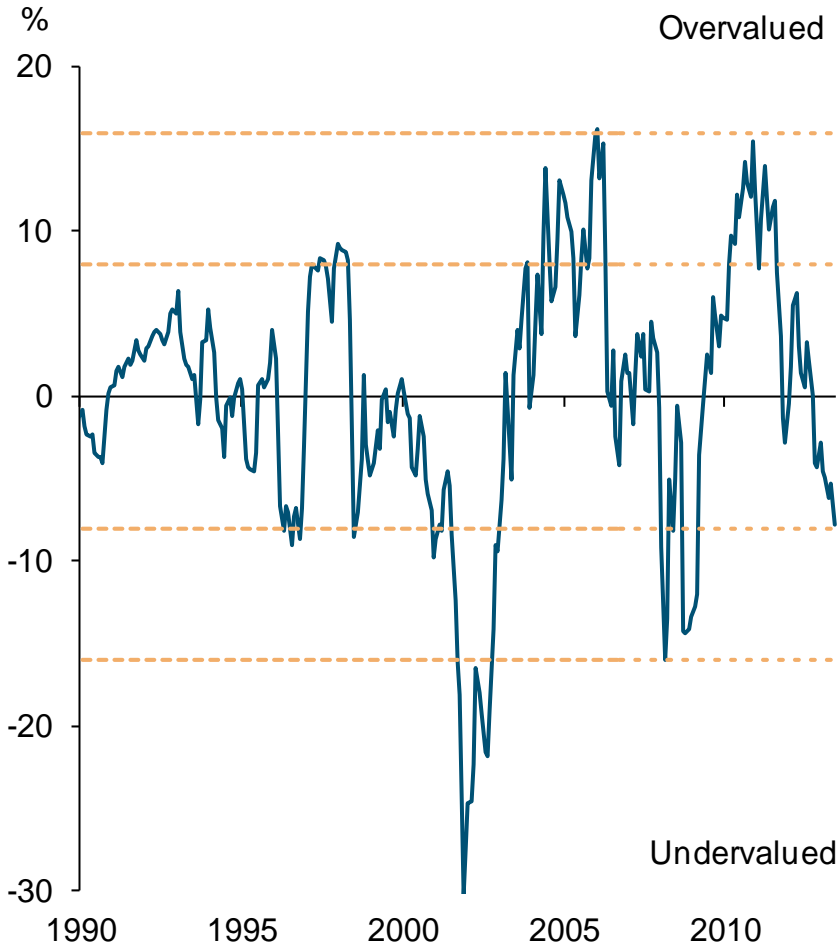
The current account deficit



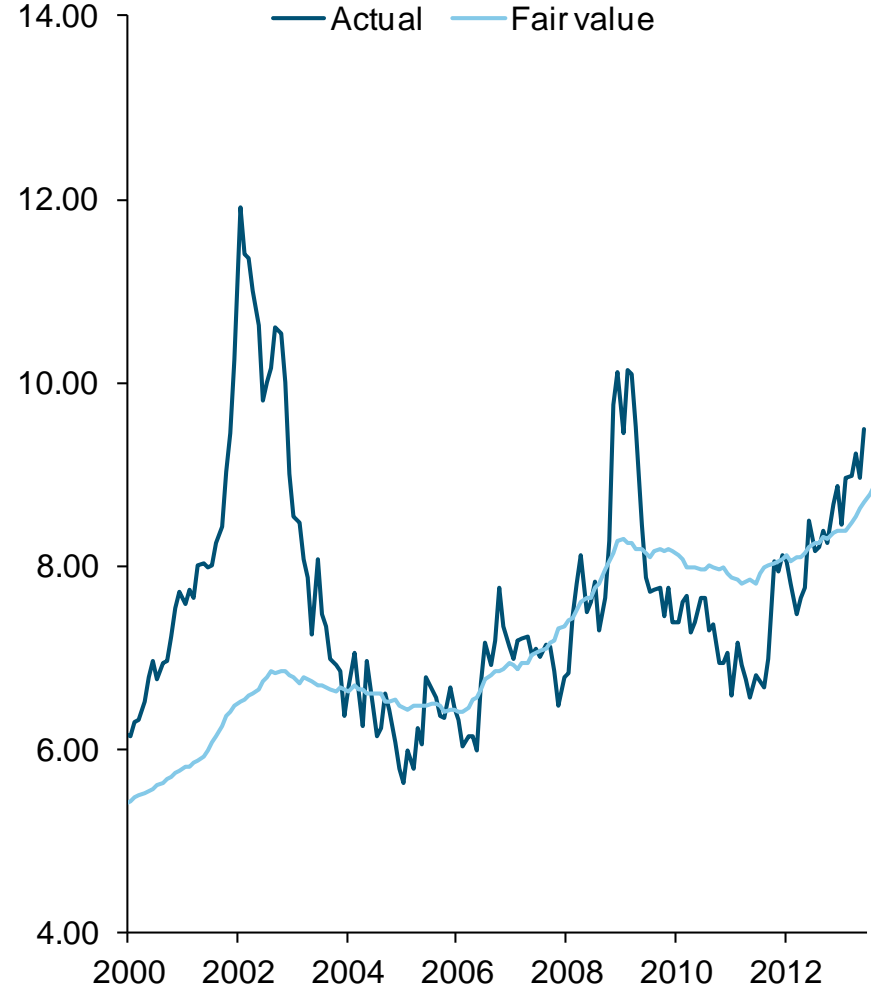


How weak is the rand really?

NEER: Deviations from fair value



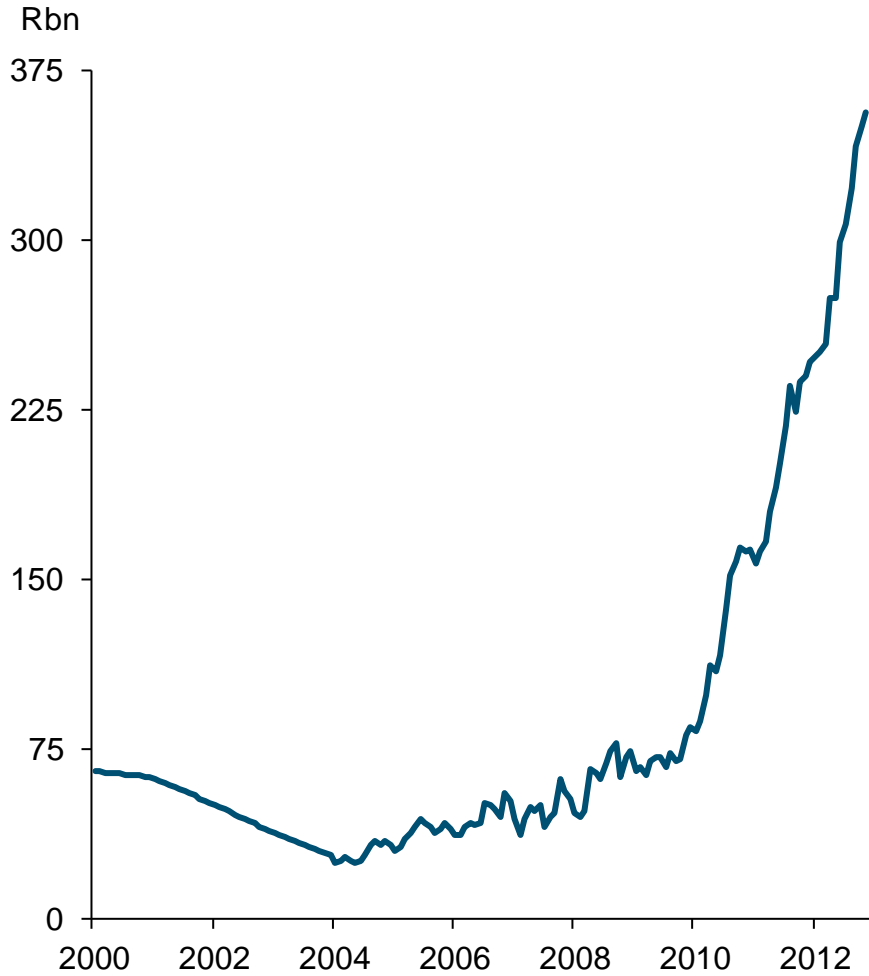
USD/ZAR and fair value



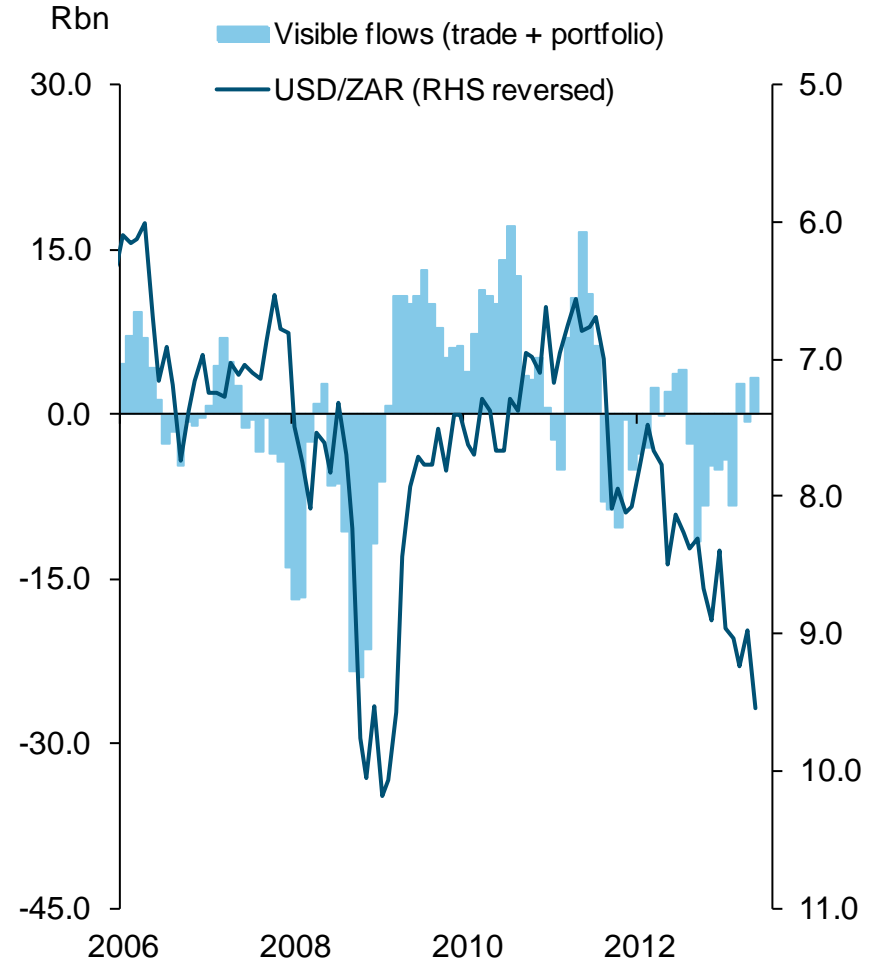
How the flows stack up



Foreign holdings of local bonds

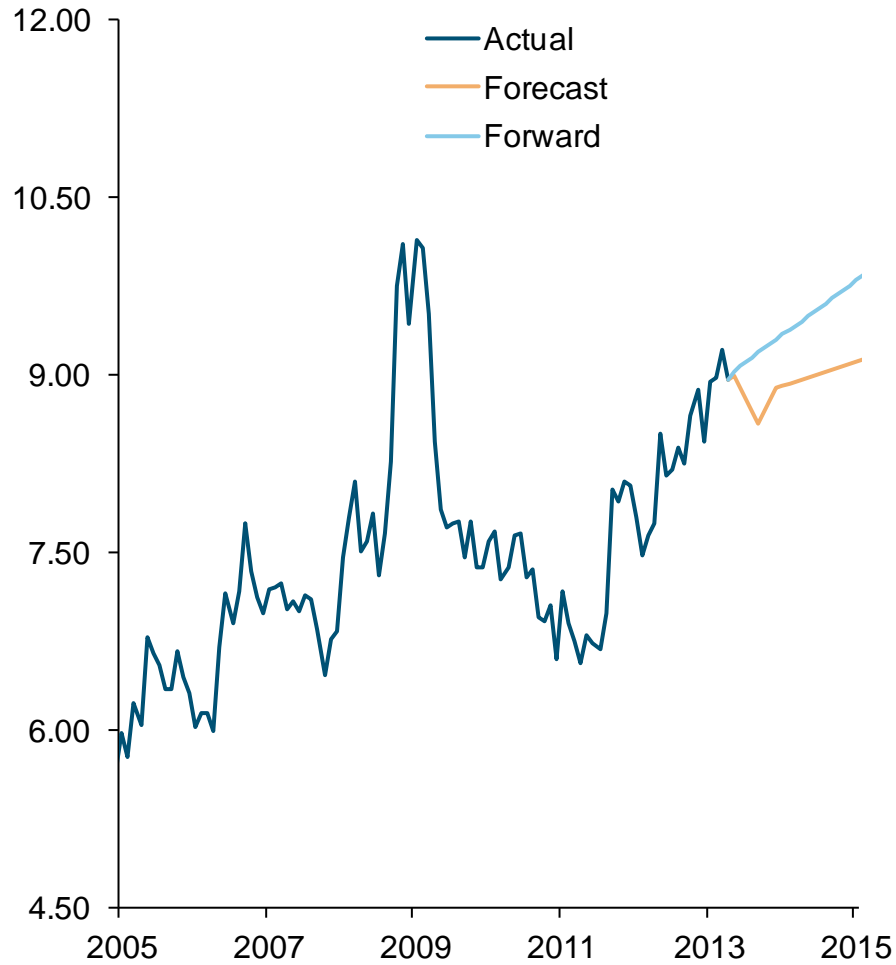


Net visible flows

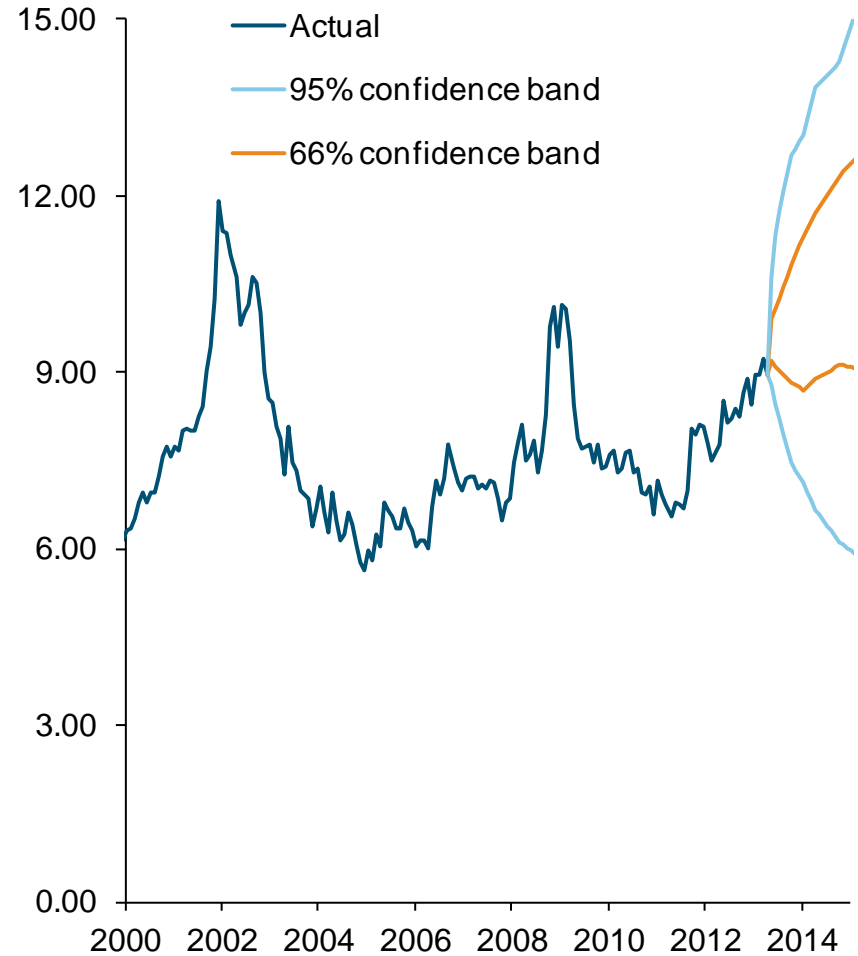




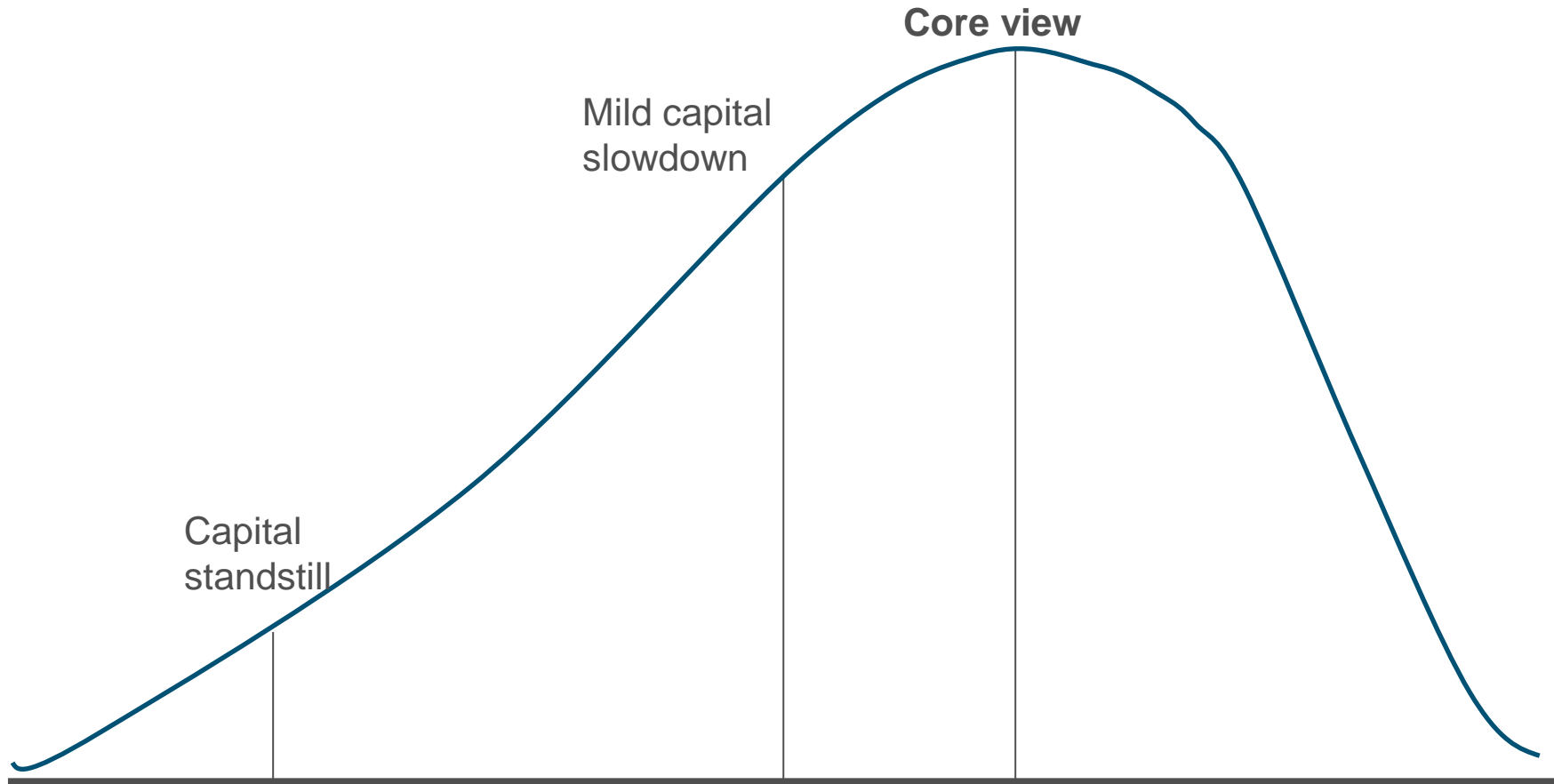
Our official forecast



USD/ZAR and probability bands



The probability distribution and implications



USD/ZAR	13.00	10.00	9.00	} 2014 forecasts
Growth	-1.1%	2.3%	3.3%	
Repo (eop)	9.5%	6.5%	4.5%	



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