Market Brief

01 August 2024

Table of Contents

ZAR: The Week in Review

	Bid Low	Bid High	
Friday	18.2177	18.4147	• The rand ended the trading week stronger, trading to lows of R18.2177/USD against a weaker U.S. dollar. This strength came as risk-on sentiment persisted, with broader market expectations increasing that the Fed might cut its policy rate at its September meeting. The rand closed its trading session comfortably at R18.2950/USD in the green, compared to its previous close.
Monday	18.2341	18.5217	• In the absence of significant domestic data, the rand began the week on a weaker note during Monday's trading session, facing pressure from a stronger dollar. Persistent risk aversion, driven by renewed geopolitical tensions in the Middle East, contributed to the rand's depreciation. The local dipped to a low of R18.2341/USD before closing in negative territory at R18.4350/USD, compared to the previous close.
Tuesday	18.2756	18.4708	• The rand strengthened to a low of R18.2756/USD during Tuesday's session, supported by a weaker dollar in anticipation of the Fed's policy meeting on Wednesday. Despite the lack of significant domestic data, the rand also benefited from rising precious metal prices, particularly gold. As a result, the local currency ended the session at R18.3250/USD, reflecting a gain from the previous close.
Wednesday	18.1637	18.3413	• The local currency continued to strengthen throughout Wednesday's trading session, reaching a low of R18.1637/USD. The anticipated U.S. policy rate decision contributed to the rand's strength. Additionally, the country's trade balance posted a surplus of R24.23 billion for June 2024, surpassing the market consensus of R18.40 billion. The rand ultimately closed in positive territory at R18.2125/USD.
Thursday	18.1072	18.2745	• The rand was steady early on Thursday, ahead of a purchasing managers' index (PMI) survey for the local manufacturing sector. In the morning session, the rand traded at R18.2275/USD against the dollar, not far from its previous close. The rand was supported by the Federal Reserve Chair Jerome Powell's softening tone on Wednesday, fueling expectations of a September interest rate cut by the Fed. Investec chief economist Annabel Bishop cited, "The rand remains volatile as financial market expectations have shifted around the timing and speed of the anticipated U.S. interest rate cutting cycle." (Source: Investec Morning Commentary dated 01.08.2024)

Highs and lows from London Stock Exchange Group (LSEG)

	Weekly low	Weekly high
US Dollar	18.1072	18.5217
Sterling	23.2021	23.4714
Euro	19.5741	19.7719

Source: London Stock Exchange Group (LSEG)

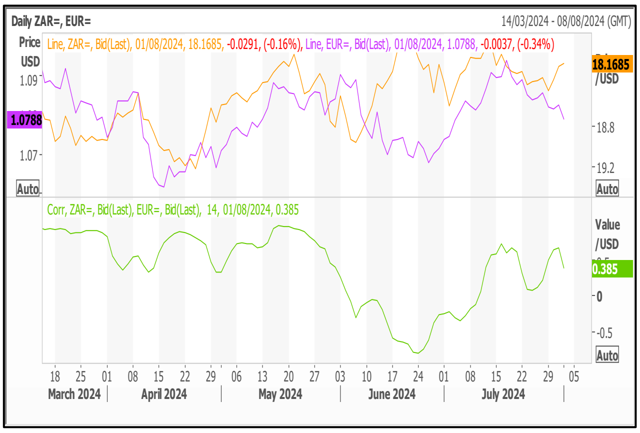
Currency Outlook

U.S. Fed Meeting	• The Fed kept rates unchanged at its July FOMC meeting. This was a foregone conclusion, leaving focus on the guidance offered by the statement and Chair Powell's press conference. The statement was finely balanced, with language changed to highlight that there are two-way risks to the Fed's dual mandate, and while it repeated prior language that the Fed won't consider cutting until greater confidence is achieved that it will meet its inflation target, it was noted that risks to achieving this target are moving into better balance. The balanced approach was echoed in Powell's press conference. The Fed Chair acknowledged that a September rate cut is possible, but he did not pre-commit to any decisions and said that the central bank will remain data dependent. Overall, Powell appeared to lay the groundwork for a cut in the next few months but left himself room to manoeuvre should the upcoming data hold up. Interestingly, Powell then noted that the Fed does not need to be fully focused on inflation given the progress that has already been made. This suggests that the labour market and other economic data may begin to hold more significance. This will increase focus on this week's payroll figure, where a softening in hiring is already expected. • Both the U.S. and SA are now expected to begin their interest rate cutting cycles in September, on the 18th for the U.S. and the next day, 19th September, for South Africa, maintaining the narrowed differential between the geographies interest rates which should be rand supportive.
Emerging Markets	• Emerging market stocks rose on Thursday after the Federal Reserve signalled it could start easing policy in September, while currencies across emerging Europe slipped amid weak manufacturing data for several economies. • "In focus, the Czech crown lost 0.3% against the euro ahead of an expected 25 basis point (bps) rate reduction from the country's central bank, slowing the pace of easing after four 50 bps cuts. MSCI's index of emerging market stocks rose 0.4%, tracking gains in global equities after Wednesday's signal from Fed Chairman Jerome Powell that the central bank could start easing rates in September if U.S. economic data continues on its current trajectory. Lower borrowing costs in the U.S. typically weaken the dollar and lift the appeal of emerging market assets. However, the dollar regained some ground after slipping for two straight sessions, with most currencies in emerging European economies weakening against the greenback. Weaker manufacturing data also weighed, with the Hungarian forint losing 0.6% versus the euro, after manufacturing activity remained in contraction territory. The Polish zloty dipped 0.2% against the euro, after S&P Global's Purchasing Managers' Index showed its manufacturing sector slowed its decline in July, but was still in contraction." (Source: LSEG Article dated 29.07.2024) • Ukraine was also in focus after it temporarily suspended international debt payments as it finalises a restructuring plan to slash $20 billion of international debt. However, the move is unlikely to trigger much concern in debt markets. • Russia's rouble strengthened 0.5% against the dollar, as worries about rising conflict in the Middle East lifted the price of oil, one of its main exports. • In equities, Turkish stocks jumped 1.7%, led by a 3.6% rise in its bank index. Manufacturing in Turkey contracting for a fourth straight month, data showed.

	• Meanwhile, Nigerian security forces were deployed in major cities, while the government said it was open to dialogue ahead of planned protests against a cost of living crisis. • Weaker PMI data also weighed on Chinese shares with a slump in its manufacturing activity leading generally weak readings across Asia's factories in June.
Domestic	• Striking a more optimistic tone than the SA Reserve Bank and the IMF, the Bureau for Economic Research (BER) believes SA's GDP can grow by more than 2% in 2025. Its most recent macroeconomic outlook for the country, presented at the BER conference in Johannesburg on Wednesday, sees GDP growing by 1% in 2024, followed by 2.2% growth in 2025. • The DA is banking on the possible disintegration of the ANC and President Cyril Ramaphosa stepping down as the party leader for it to be promoted to the largest political party in SA, breaking the ANC's three-decade dominance. "The ANC is crumbling, and we need to consolidate," the DA's federal council chair, Helen Zille, said on Wednesday, adding that the party's real competitor in politics was the leftist EFF following the ANC's poor performance at the May 29 polls. • The National Treasury is moving forward with plans to launch a pilot project that will enable private investment in electricity grid infrastructure in 2024 as part of wide-ranging reforms by the government to increase private sector participation in the energy and logistics sectors. The government has been working with the International Finance Corporation to develop options for financing to accelerate private sector investment in transmission without negatively affecting Eskom's balance sheet and the fiscus, said Treasury director-general Duncan Pieterse. • Eskom has failed in its bid to reserve grid capacity for renewable energy projects procured by the state after the National Energy Regulator SA (Nersa) ruled the state-owned power company's application was unclear and vague. Last year Eskom published new grid allocation rules that were based on the first ready, first served principle, giving preference to renewable energy projects, whether publicly or privately procured, which were ready to connect to the grid. • DA and Patriotic Alliance ministers are outshining their ANC counterparts in the government of national unity. The ANC's national working committee (NWC) has raised concerns the DA's strategic communications were making the party's ministers appear incompetent. The matter was discussed at a confidential meeting of the NWC this week ahead of a national executive committee meeting. • Transnet issued an update on Monday on the extensive list of institutional reforms in which it is engaged to get the state-owned logistics company back on track. For the past three years, Transnet has been a drag on economic growth due to weak freight performance disruptions and congested ports, mainly due to under-investment and failure of infrastructure. It has also been beset by financial problems and cannot service its debt. • The reauthorisation of the African Growth and Opportunity Act (Agoa), which provides 35 sub-Saharan African countries with duty-free access to US markets, is unlikely to occur before the 2025 expiration as it is still under consideration by US legislators. The renewal of the unilateral preference programme established by US law featured prominently in discussions between the U.S. and African ministers of trade during last week's Agoa Forum. • Former president Jacob Zuma has been expelled from the ANC and barring a successful appeal, could have his ANC membership of more than 64 years

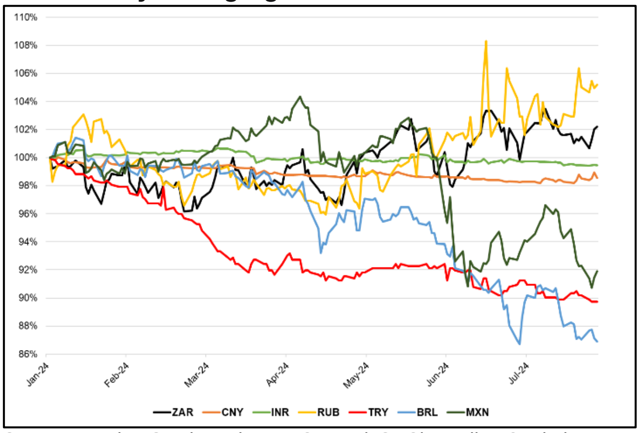
	terminated. This is after the ANC's national disciplinary committee (NDC) found Zuma was guilty of breaching the party's constitution and recommended he be expelled.
Summary	• The rand remains volatile as financial market expectations have shifted around the timing and speed of the anticipated U.S. interest rate cutting cycle, in turn contributing to rand volatility from an international perspective. “The rand is potentially facing a more optimistic outlook, as Q2.24 has proved to be a quarter of positive developments which eroded the country’s political risk, as well as establishing a platform for stronger growth, and so better investor sentiment. The downside risks have fallen substantially as the new government (of national unity) was successfully formed and translated into executive positions, with expected improved governance. This has lowered the risk premium for SA. In turn, the likelihood has fallen for the downside: of weakening investment growth and economic activity, fiscal deterioration, rising bond yields and inflation, rand depreciation, persistent load shedding and other structural constraints.” (Source: Investec Comment dated 29.07.2024) • Based on this, we can see that the rand is in for more volatility in the coming months. Should the rand close the week below the R18.20 region, this could ignite further strength towards R18.10, R18.00 and below. • However, if the rand manages to close above the R18.20/25 mark, we could see further weakness towards R18.30, R18.40 and beyond.

ZAR vs EUR



Source: London Stock Exchange Group (LSEG)

ZAR vs Key emerging markets YTD 2024



Source: London Stock Exchange Group (LSEG), Andisa Capital

	ZAR	CNY	RUB	BRL	INR	TRY	MXN
7 day change	0.86%	-0.21%	-1.11%	-0.41%	0.00%	-0.49%	-0.68%
30 day change	2.21%	0.34%	2.21%	0.18%	-0.26%	-1.63%	-1.71%
12 month change	1.50%	-0.76%	9.71%	-15.11%	-1.19%	-18.60%	-8.34%

Source: London Stock Exchange Group (LSEG), Andisa Capital

Local Data and News

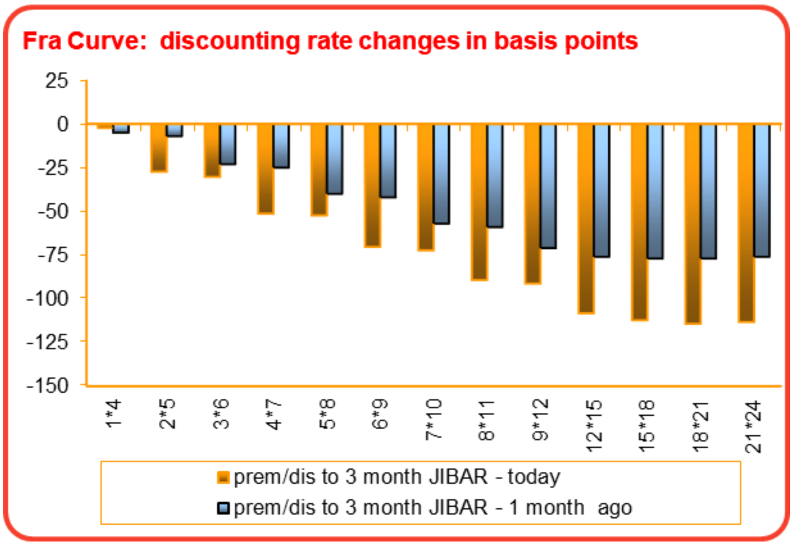
M3 Money Supply	• M3 money supply came in at 5.19% y/y in June, after having increased by 4.72% y/y in May.
Private Sector Credit Extension (PSCE)	• Private sector credit extension (PSCE) rose by 4.3% y/y in June, up from 3.9% y/y in May. • Credit uptake by corporates which comprises over half of total PSCE grew by 5.1% y/y in June from 4.3% y/y previously. • Credit demand by households however eased slightly on a year-on-year basis to 3.3% from 3.4% recorded in May. • Mortgage advances which make up a significant 59% of household credit fell to 2.7% y/y from 2.8% y/y recorded in April and March respectively. (Source: PSCE Update by Investec, 29.07.2024)
Trade balance	• The trade surplus widened to R24.2bn in June, from a downwardly revised surplus of R20.0bn in May. • Exports of precious metals and stones, machinery and electronics, other classified goods, and prepared foodstuff were down in June while exports of vehicles and transport equipment were up in the month. • Imports of machinery and electronics, chemical products, mineral products, and original equipment components decreased in June, while imports of precious metals and stones increased. • In the year-to-date, exports fell 0.8% y/y, significantly outpaced by a 6.4% y/y decline in imports. (Source: Closing the loop by Standard Bank, 31.07.2024)
Manufacturing PMI	• The headline Purchasing Managers' index (PMI) moved back into expansionary terrain in July, increasing to 52.4 from 45.7 recorded previously. • Both the business activity and new sales orders' indices rose considerably during the month, following May and June's poor performance which was plagued by a still high degree of political uncertainty. • "The improvements suggest that on-hold orders are now being realised and translated into better activity," according to the BER, "which bodes well for a stronger performance by the sector" in the third quarter of 2024. • Despite the strong pickup in activity, the employment index declined to 45.4 from 46.3. A sustainable lift in business confidence and growth is needed to rectify South Africa's unemployment predicament. (Source: PMI Update by Investec, 01.08.2024)

Interest Rate Outlook

Decision and Outlook	• The repurchase rate was kept unchanged at 8.25% at the July Monetary Policy meeting. • The prime lending rate was kept at 11.75%. • It was the seventh meeting in a row that the bank left its repo rate on hold, but this time the decision was split. Two MPC members voted for a cut and four preferred an unchanged stance. • The winds of change are upon South Africa and the probability of the cutting cycle to begin soon is high. • "A September cut in South Africa's repo rate is now widely expected but will not necessarily be followed by a cut in November, as much will depend on the

	inflation outcomes, which are currently expected to be lower." Investec noted. (Source: Inflation Outlook by Investec, 30.07.2024) • Standard Bank agrees with this view: "We still foresee a gradual and shallow interest rate cutting cycle beginning in Q3:24; the first interest rate cut is expected at the September MPC meeting." (Source: In the loop by Standard Bank, 30.07.2024) • "We expect the MPC to cut rates by 25 basis points at their September meeting and with another 25 basis points in November. That will be 50 basis points this year, followed by another 50 basis points early next year." Shannon Bold, senior economist at the BER said. (Source: BusinessDay article, 01.08.2024) • The next rate decision of the Monetary Policy Committee will be announced on 19 September 2024.

FRA Curve



Source: London Stock Exchange Group (LSEG), Andisa Capital

International Data and News

United States

PCE	• The PCE price index nudged up 0.1% to 0.2% m/m in June after being unchanged in May at 0.1% m/m, the Commerce Department's Bureau of Economic Analysis said on Friday. • The PCE price index climbed 2.5% y/y in June after rising 2.6% y/y in May.
JOLTS	• The U.S. Job Openings and Labour Turnover Survey (JOLTS) came in higher-than-expected in June. • Job openings increased to 8.18 million in June, from an upwardly revised 8.23 million previously.
Jobless Claims	• U.S. jobless claims came in higher-than-expected at 249 000 for the week ending July 26. This is an increase from its previous number of 235 000 for the week ending 19 July.

Interest Rates	• The U.S. FOMC yesterday kept the Fed funds rate unchanged, as expected. • The policy committee voted unanimously to leave the benchmark rate in a range of 5.25% to 5.5%. • The central bank, however, signalled they are moving closer to lowering borrowing costs on the back of easing inflation and a cooling labour market. • The Fed noted that it remains "attentive to the risks to both sides of its dual mandate". • The Fed also acknowledged that there has been some further progress toward the bank's 2% inflation target. Fed Chair Jerome Powell commented that, as the economy evolves, monetary policy would adjust.
ADP Non-Farm Employment Change	• U.S. ADP private sector payrolls undershot expectations in July, coming in at 122 000, following an upwardly revised increase of 155 000 in June. • The data is consistent with signs of a softer labour market. • The report comes ahead of the non-farm payrolls (NFP) for July due for release tomorrow.
Consumer Confidence	• U.S. consumer confidence unexpectedly rose in July but remained in the tight range of the past two years amid lingering worries about inflation and higher borrowing costs. • The U.S. consumer confidence index for July came in at 100.3, from 100.4 in June. • "Even though consumers remain relatively positive about the labour market, they still appear to be concerned about elevated prices and interest rates, and uncertainty about the future, things that may not improve until next year," said Dana Peterson, chief economist at the Conference Board.
PMI	• The U.S. ISM manufacturing PMI declined in July, to 46.8, from 48.5 in June. • ISM indicators point towards continued pressure on manufacturing activity in the U.S., with orders dropping while input costs rise.

Euro Zone

CPI	• Eurozone CPI overshot expectations in June, coming in at 2.6% y/y, following a 2.5% y/y increase in May. • On a m/m basis, CPI remained flat in June, against expectations for a decline, and after having increased by 0.2% in May. • Core CPI also came in higher-than-expected in June, at 2.9% y/y, matching May's increase. • The data may make the central bank weary about cutting interest rates further.
Unemployment Rate	• The Eurozone seasonally adjusted unemployment rate was 6.5% m/m in June, up from 6.4% m/m in May 2024 and stable compared with June 2023. • Compared to May 2024, unemployment increased by 41 000 people and compared to June 2023, unemployment increased by 81 000 people in the euro area.

United Kingdom

Interest Rates	• The Bank of England cut interest rates from a 16-year high of 5.25% to 5% after a narrow vote in favour from policymakers, divided over whether inflation pressures had eased sufficiently. • Governor Andrew Bailey - who led the 5-4 decision to lower rates by a quarter-point to 5% - said the BoE's Monetary Policy Committee would move cautiously going forward. • "We need to make sure inflation stays low and be careful not to cut interest rates too quickly or by too much," he said in a statement alongside the decision. • The rate reduction was in line with the forecast in a Reuters poll of economists, but financial markets had only seen just over a 60% chance of a cut.

China

Manufacturing PMI	• The official NBS Manufacturing PMI slipped to 49.4 in July from 49.5 in June. • Falling new orders and low prices contributed to the contraction.
Non-Manufacturing PMI	• The official Non-manufacturing PMI, which includes services and construction, slowed to 50.2 in July from 50.5 in June.
Stimulus	• About 150 billion yuan ($20.7 billion) of the 1 trillion yuan China is raising through special debt issuance this year will subsidise replacements of old appliances, cars, bicycles and other goods. • One of the main reasons people are not spending in China is 70% of household wealth is held in real estate and house prices fell at their fastest pace in nine years in June. • Beijing again signalled a sense of urgency to revive the economy on Tuesday, calling for policies that would increase wages and enhance the “capacity and willingness” of low- and middle- income groups to spend.

Australia

Retail Sales	• Retail sales rose 0.5% m/m in June, vs an increase of 0.6% m/m in May. • Sales volumes for the second quarter was down 0.6% y/y, a weak result given Australia’s population is rising by 2.6% annually.
Inflation	• CPI rose 1.0% q/q in Q2:24, and 3.8% y/y. • Core inflation rose 0.8% q/q, below forecasts of 1.0%. • Annual core inflation slowed to 3.9% from 4.0%, the lowest since early 2022. • The downside surprise in core inflation led markets to abandon thought about further interest rate hikes.
Central Bank	• The Reserve Bank of Australia has left interest rates at 4.35% for five straight meetings. • Markets are pricing in a 70% probability of an easing in interest rates by the end of the year after data showed a slowdown in core inflation.

Japan

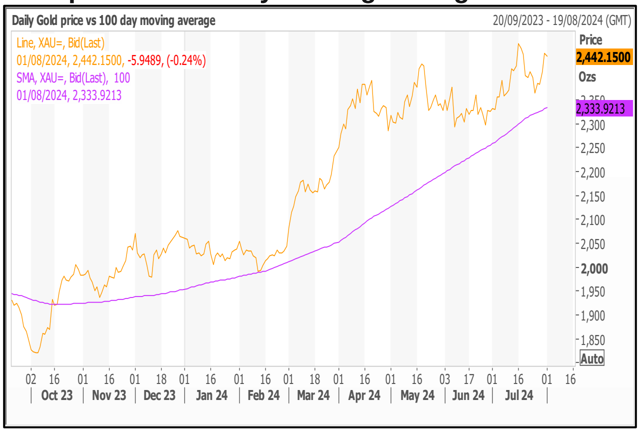
PMI	• Industrial production dropped 3.6% m/m in June. • Data has shown large m/m fluctuations, partly linked to Japan's widening auto safety scandal. Toyota and four other vehicle makers admitted in June they had submitted either flawed or manipulated data when applying for certification of vehicles.
Retail sales	• Retail sales rose 3.7% y/y in June, following an increase of 3.0% y/y in May.
Currency	• Japanese authorities spent ¥5.53 trillion intervening in the foreign exchange market in July to pull the yen from 38-year lows around ¥161.99/$.
Central Bank	• The Bank of Japan raised the short term rate target by 15 bps to 0.25% on Wednesday. • This was the second rate increase since 2007. • The central bank also announced a halving of its monthly bond buying. • Governor Kazuo Ueda said the Bank will continue to raise rates if the economy moves in line with its forecasts.

Precious Metals

Gold

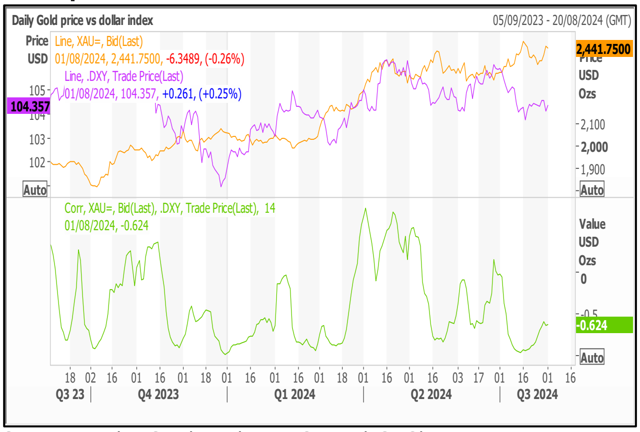
Price Movement	• Gold rose to a two-week high of $2,458/oz on Thursday as U.S. Federal Reserve Chair Jerome Powell opened the door to cutting interest rates as early as September. ○ Fed Chair Jerome Powell said on Wednesday rates could be cut as soon as September if the U.S. economy follows its expected path, putting the central bank near the end of a more than two-year battle against inflation. • "The trend for gold remains bullish and prices should hit $2,500 this year as the Fed lowers interest rates," said Peter Fung, head of dealing at Wing Fung Precious Metals.
ETFS	• Holdings in the SPDR Gold Trust rose four tonnes over the last week to 846 tonnes.

Gold price vs 100 day moving average



Source: London Stock Exchange Group (LSEG)

Gold price vs dollar index



Source: London Stock Exchange Group (LSEG)

	Gold	Platinum	Palladium	Silver
7 day change	3.39%	3.99%	1.73%	3.61%
30 day change	4.95%	-2.10%	-9.73%	-1.80%
12 month change	26.43%	5.34%	-25.80%	22.07%

Source: London Stock Exchange Group (LSEG), Andisa Capital

Base Metals

Copper

Price Movement	• 3m copper rose to $9,322/t on Thursday morning as the U.S. Federal Reserve hinted at a September interest rate cut, while expectations of further stimulus by China also aided sentiment. • Prices did fall later in the day after a private sector survey showed that China's manufacturing activity in July fell for the first time in nine months.

3m copper vs 100 day moving average

Source: London Stock Exchange Group (LSEG)

LME copper stocks

Source: London Stock Exchange Group (LSEG)

Nickel

3m nickel vs 100 day moving average

Source: London Stock Exchange Group (LSEG)

LME nickel stocks

Source: London Stock Exchange Group (LSEG)

	3m copper	3m nickel
7 day change	0.48%	2.84%
30 day change	-5.44%	-4.54%
12 month change	7.39%	-24.36%

Source: London Stock Exchange Group (LSEG), Andisa Capital

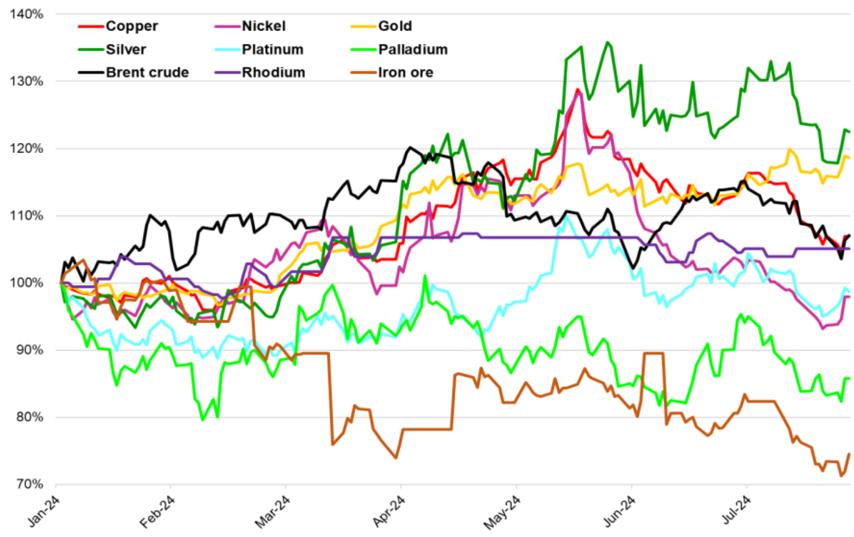
Oil

Price Movement	• Brent rose to $81.80/bbl. on Thursday on the risk of broader Middle East conflict. • In the longer term, however, investors are not confident of Chinese demand, said Phillip Nova analyst Priyanka Sachdeva, adding that this concern will continue to limit the upside in oil prices.
U.S.	• U.S. Energy Information Administration (EIA) on Wednesday showed robust export demand pushed U.S. crude oil stockpiles down by 3.4 million barrels in the week ended July 26.
OPEC	• OPEC+ ministers will meet later on Thursday to decide output policy, with sources believing they are unlikely to make any changes to existing production cuts and will start unwinding some of those from October despite recent declines in oil prices.

	Front-month Brent
7 day change	-1.25%
30 day change	-6.02%
12 month change	-2.41%

Source: London Stock Exchange Group (LSEG), Andisa Capital

Commodities Performance YTD 2024



Source: London Stock Exchange Group (LSEG), Andisa Capital

**Source of news is Thomson Reuters unless stated otherwise*

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