



Week 37

## What we know

The Rand's prospects from a global perspective remain relatively unchanged this week, following on from the past few weeks of torture that saw us whistle past the key psychological level of R17.50/USD. Fortunately, the break upwards seems to have lost its momentum with a retracement underway. We are hanging around the previous trading range established in mid-July of R17.20/USD - R16.95/USD, which hopefully gives us scope from a technical viewpoint to progress lower. Though, as always, nothing is ever guaranteed when it comes to the Rand.

The EUR and USD remain locked in a battle for dominance, taking turns trading blows and bouncing either side of parity. The EUR has the upper hand this week following on from a successful offensive by the Ukrainian army between the 6<sup>th</sup> and 10<sup>th</sup> of September. It seems they were able to convince the Russians to divert troops to the South and then mount an impressive counter-offensive in the northeast, with the Ukrainians stating to have reclaimed as much as 3,000km<sup>2</sup> on Sunday.

The Dollar has an ace up its sleeve in the form of US Core Inflation due to be released this afternoon. It very well may turn the tide and bring the EURUSD back down towards the €1.000/USD level – that is if inflation surprises to the upside, pressuring the Fed to keep the monetary noose tight. Expectations are likely to remain fixed on a .75bp hike next week, but

hawkish undertones from Mr. Powell would drive market sentiment crazy. Uncertainty is an exceptional catalyst in FX markets, and it usually leaves emerging market currencies in the lurch as market participants run for cover, propping up the USD.

The strength experienced by the ZAR on Monday was certainly not the result of any confidence inspiring event locally as can be evidenced by the Dollar Index's fall as well as a general positive rebound in the emerging market index. The USD has been on a winning streak with traders eager to push it higher. In classic fashion the rally extended beyond what may have been a reasonable level, and with no news to sustain the rally there was nowhere to go but down. Losses by the USD so far are not extraordinary, but the pullback was certainly needed after the lofty gains at the end of last week.

## What others say

### ***Bloomberg - Russian defenses crumble as Ukraine retakes key territory***

“Ukraine’s forces continued their rapid advance in the Kharkiv region on Sunday, exploiting an extraordinary collapse of Russian defenses and raising the question of how far they can go.”

### ***Visual Capitalist - Mapped: A snapshot of wealth in Africa***

“The continent of Africa contains more than 50 countries, but just five account for more than half of total wealth on the continent: South Africa, Egypt, Nigeria, Morocco, and Kenya. Despite recent setbacks in Africa’s largest economies, wealth creation has been strong in a number of areas, and total private wealth is now estimated to be US\$2.1 trillion. There also an estimated 21 billionaires in Africa today.”

### ***Reuters - Biden to hit China with broader curbs on U.S. chip and tool exports***

“The Biden administration plans next month to broaden curbs on U.S shipments to China of semiconductors used for artificial intelligence and chipmaking tools, several people familiar with the matter said.”

## What we think

Last week we said that *“The question is whether near-term economic data out of the US will be strong enough to trigger another bullish dollar reaction – our suspicion here is that the market may not really need huge surprises to fully price in a 75bp hike in September and thus continue with the long-USD trade currently in play.”*

Bar US Inflation out today at 14:30, most news is 2<sup>nd</sup> tier in comparison and is unlikely to swing the Rand all that much. We have our mining production out at 11:30 which will most likely be drowned out by traders positioning themselves for the afternoon session. Unless the Rand can keep on the front foot and break well below the R17/USD level, it feels like the current trajectory is for the USDZAR to consolidate around these levels before testing the R17.30/USD resistance again. The one outlier in this regard would be Chinese data due to come out on Friday morning – this in conjunction with their strict Zero Covid policy may give some direction at the close of the week.

Our range for the week: R16.90/USD – R17.35/USD.

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