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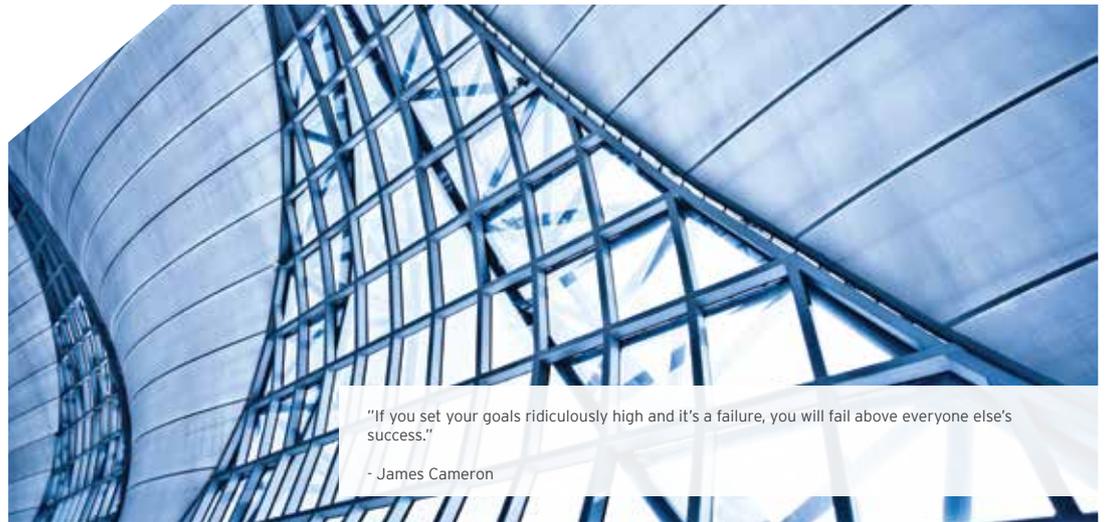
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"If you set your goals ridiculously high and it's a failure, you will fail above everyone else's success."

- James Cameron

ECONOMIC COMMENTARY - By Francois Stofberg

For a while now we've explained how sentiment impacts on the value of our Rand. In our definition of sentiment, we include more than just the usual business, consumer,-and investor-related factors (that recently reached all-time lows), that drive each user's respected sentiment. Other factors like judicial and monetary independence, financial and political stability and even crime are all sentimental factors that in turn impact on economic as well as investment fundamentals, which in turn influence variables like the Rand.

If a president like Jacob Zuma is then found "guilty", judicial independence holds and sentiment therefore, improves, in which case the Rand also strengthens. The alternative can be likened to what is currently happening in Brazil. Their president, Dilma Rousseff, is still under investigation for fraud related to their largest, and state-owned, oil producer, Petrobras. The investigation is testing the independence of its investigative institutions, which will continue to put strain on fundamental factors.

It is however, important to remember that economic variables are all linked to one another, like a spider's web. It is therefore, almost impossible that only one factor will impact on any other factor at any given time. In this instance, another major factor (probably the largest influencer) that aided in the Rand strengthening was the dovish tone of the Federal Reserve of the US, who seems ever reluctant to increase interest rates again this year. Their reluctance saw the dollar weaken to almost \$1.14 against the Euro. A final relatively large influencer of our current currency strength has been the South African Reserve Bank's (SARB) continues, independent, and reluctant pursue of price stability; a positive sentimental driver that has directly and indirectly aided the Rand.

Most notably is how these sentimental factors change the risk-premium we pay for debt in South Africa. When independence is threatened the markets show their disapproval through higher risk-premiums, and vice-versa. So, when the president is told to #paybackthemoney, and the SARB continues to act independently, the risk-premium is reduced. This, in laments terms, means that South African bonds are less risky which helps to keep credit agencies at bay, and reduces the cost of new debt.