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## ECONOMIC COMMENTARY - By Francois Stofberg

### The Rand, Rain, and some Reforms

In local news, the Rand depreciated from roughly R12.98 to about R13.38, but this time it was not because of internal issues. The Americans had their Independence Day festivities on the 4th of July, causing massive liquidity shortages in global financial markets. The shortage of sufficient buyers and sellers usually see prices of volatile financial assets undergo some shocks - which is what happened to most emerging market currencies. Except for liquidity shortages, supporting sentiment from central banks in developed countries, "to do whatever is necessary" to aid their struggling economies, caused yields on developed bonds to increase. Increases like these drain capital from riskier emerging market assets, and further depreciate emerging market currencies.

In international news. The world's largest cocoa producer, Ivory Coast, has been hit with heavy rains. In some places the rain has kept farmers off their fields, unable to discern the likely damage or expected size of the harvest. The result is that futures for this important (important because it gets so many of us out of trouble) commodity have shot up. The temporary shortage in cocoa will most likely not increase the price of chocolates - other countries will simply pick up the slack, cocoa is still only a fraction of the input in milk-chocolate products, and the supply chain should have enough cocoa to carry us until the storms have passed.

In the US, president Donald Trump continues his attack on what he believes is fake media. In his latest fit, he posted a wrestling movie in which he does a take on CNN. Although we appreciate his candour, we believe there are more important issues to be tackled - like tax reforms and infrastructure spending, to name but a few. In more important news however, the ban on laptops on flights from Abu Dhabi has been lifted.

In India, an initial step towards structural change has been taken. The 17 different taxes on goods and services have been merged into one clear tax that is easy to understand and implement. Although many are calling this initial step an illusion of reform I think their missing its intention. The change was only meant to start changing the way in which Indians think about doing business, to clear the runway for what's to come. Everyone knows how tough it is to implement structural changes - just ask Trump about his tax reforms, or Jacob Zuma about labour laws, education, or the oversized nature of South Africa's civil service.