

## Market Commentary

The currency markets are still thin with volumes only likely to pick up properly next week and this is often when you find aggressive moves especially in a fragile currency like the Rand. Up until yesterday we hadn't really seen any such aggression, but finally did indeed have one of those early January days !!!

Wednesday evening saw Dollar strength rippling in across the board with Donald Trump's first press conference of the year expected to start 11:20p.m. (EST), and hence we all went home that evening hoping (if you were a local Importer) that 13.90 or at least 14.00 would hold. Well, it did, as the USD/ZAR tested 13.99 sometime later that night and then turned ... and boy did it turn.

We'd had a week of Dollar strength with most of this being the Market front-running a Dollar hawkish Donald Trump press conference, but after the dust had settled and analysts could digest what he'd said it really proved to be a non-event and more a storm in a tea cup, resulting in the dollar surrendering its weekly gains pretty much across the board. Yesterday we saw the EUR/USD peaked at 1.0684 after trading on Wednesday as low as 1.0454. GBP/USD managed to touch 1.2317 off lows the day before of 1.2040, but without question it was the market willing to once again chase yield that saw the EM currencies scoring, with the Rand quite possibly the best performer.

As we walked in yesterday around 8:00a.m. having already retraced to a USD/ZAR of R13.73 and then continued to aggressively chase stops breaking many of the key resistance levels with the main one of course being 13.50 a price we haven't been under since before Donald Trump won the U.S. elections (8th Nov.). The Rand managed yesterday to recover by more than 2% and tested a high of 13.4100, before then climbing back briefly above 13.50 to close in N.Y. around 13.5550.

On the data front yesterday we saw the SA manufacturing PMI falling 46.7 index points in December, from 48.3 in November, and remains below the 50-index point level for the 5th consecutive month, indicating continued weakness in the manufacturing sector. Of the PMI subcomponents, supplier's performance reached a historic low in December, which reflects significant slack amongst suppliers as they operate below capacity. Business activity continued to weaken, indicating a continued decline in output levels, while the inventory run-down also persisted in December.

However encouragingly, the PMI leading indicator (sales/inventories) remained above 1, which means that there is room for further expansion in output to replenish inventories. The gauge for expected business conditions, despite easing marginally, remains relatively upbeat at 53.2 index points. This means manufacturers are more optimistic about conditions in 6 months' time, relative to current conditions. New sales orders also remained above the 50-index point level as a result of continued new export orders. Also, employment ticked up in December, which may indicate a slight uptick in activity in 2017.

Manufacturing production growth surprised sharply to the upside, at 1.9% y-o-y in November, from -2.7% in October, better than expectations of 0.3%. The uptick in November may be reflective of seasonal demand trends and new export orders, plus may be supported by a recovery in the agricultural sector and a possible uptick in mining production if commodity prices rebound in 2017.

We again expect a rather challenging day, with some key data out of the States in the afternoon. Will we see the Rand surrendering some of yesterday's massive gains, or, now that 13.50 has broken, does it close at a new bottom level of 13.40 ?

Our Range for the Day:- 13.41 - 13.65

## 13 January 2017

USD / ZAR	13.5296
EUR / ZAR	14.3818
GBP / ZAR	16.4857

### Interest Rates

3 Month Jibar	7.3580
Overnight	6.7800
3x6 FRA	7.3300
6x9 FRA	7.3400

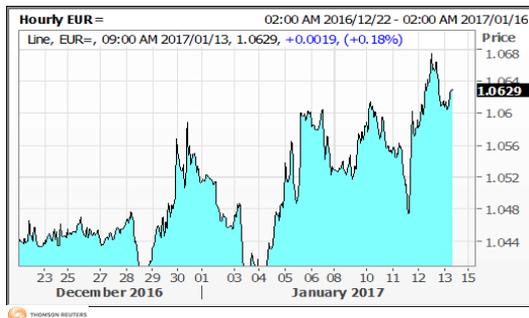
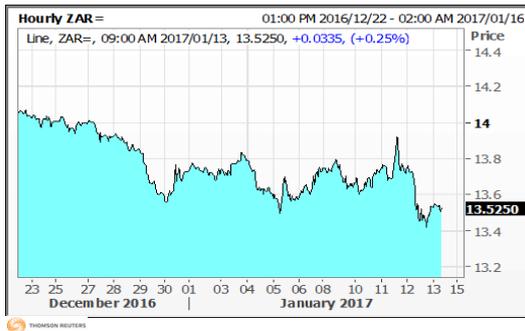
Prime Rate	10.50
S&P 500	2 270.44
FTSE 100	7 321.81
DAX	11 568.00
CAC	4 883.36
JSE ASH	52 444.36

### Commodities

Gold	1196.90
Platinum	969.75
Brent	54.37

### Important Data

09-Jan		No data of real importance
10-Jan		No data of real importance
11-Jan		No data of real importance
12-Jan	ZA	Manufacturing Production Data
13-Jan	US	PPI Figures
	US	Retail Sales
	US	Univ. Michigan Sentiment



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