BIZCOMMUNITY

More pain likely in store for consumers

By Andre Cilliers

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The most significant data event of the week will be on Wednesday when the Fed decides on interest rates again. The market is fully pricing another 75bps hike and expects the Fed rates to peak at around 5% in March 2023.

Source: Pexels

The rhetoric from the Fed chair after the announcement will be carefully watched to see how hawkish the speech from the Fed stays. If the Fed remains very hawkish, the dollar can continue its rally, and the DXY can back-test its recent high of 114, placing risk assets like the rand under pressure.

Emerging markets under pressure

The Chinese economy released its October PMI data, and it was one of the biggest surprises to the downside since August 2021.

The PMI data is down to 50.5 from 52.9. This is all on the back of the zero Covid policies still being maintained by China. Workers just this morning were seen fleeing an iPhone factory in China as a Covid case was reported, and the factory needed to be locked down.

On the back of this, emerging-market currencies are under pressure in early trade with the current USDZAR testing close to R18.20. This is more of an emerging-market currency story as the dollar is trading weaker against other major currency pairs, and the rand is weaker against AUD, EUR, GBP and CAD, among others.

Oil set for biggest monthly gain since January

Brent crude and WTI Crude are set for their biggest monthly gain since January 2022 as the cut in production by OPEC+ has lifted prices.

Brent crude is slightly down on the day at 95.10 a barrel but still up $10 a barrel for the month.

We will already see diesel and petrol prices rise on Wednesday, and if the oil price continues to rally and the rand is under pressure, more pain is likely in store for the consumer.

It will reiterate the view across the world that inflation will be with us all for longer.

ABOUT ANDRE CILLIERS

Andre is the Currency Risk Strategist at TreasuryONE. Andre's career in treasury spans more than 30 years. He has gained his extensive currency risk experience in both the banking and corporate arena. Before joining TreasuryONE, Andre headed up the treasury department for a Tier One German international bank in South Africa.

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