

Weak Chinese PMI data further drives risk-off sentiment

By [Andre Cilliers](#)

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China's manufacturing PMI contracted to 48.8 versus market estimates of a rise of 51.4, pushing the dollar firmer as risk sentiment turned more negative.



Source: Reuters.

Congress is due to vote on whether to approve the debt-ceiling agreement today, and the uncertainty is adding to the unease in markets.

Asian and EM currencies are softer, with the Rand trading at R19.77 this morning after closing at R19.70 last night. The Rand hit a new all-time worst level of R19.86 yesterday on the back of the stronger dollar, along with local political and power issues.

Load shedding is back at stage 6, while the government has granted diplomatic immunity to Russian officials attending the BRICs summit in August. The ICC has put out a statement saying South Africa must arrest President Putin.

The rand will remain on the back foot over the next few months with negative investor sentiment, driven by possible economic sanctions, unlikely to improve.

The dollar has firmed to below the 1.0700 mark against the euro and to below the 1.2400 mark against the pound as

markets are still betting on further rate hikes by the Fed. Today we have the US Jolts job openings data, and the non-farm payrolls and unemployment numbers tomorrow.

Commodity update

Copper has fallen this morning on the back of the weak Chinese PMI number and is now down around 6.0% for the month. The second consecutive month of contraction in China's manufacturing sector is weighing heavily on industrial metals as demand concerns rise.

Brent crude is down nearly 5.0% from yesterday morning as Russia seems unlikely to support Saudi Arabia's call for further production cuts at this weekend's Opec+ meeting.

Demand concerns out of China, and the prospect of higher rates in the US are also weighing on the price. Gold managed to close slightly firmer last night and is holding on to its gains this morning, currently trading at \$1,961.

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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