

## **Rand rallies after data shows slowing inflation, stocks up –**

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The rand rallied more than 1% to its firmest in nearly a week on Wednesday on optimism the central bank has room to boost the flagging economy after consumer inflation fell more than expected, while stocks gained.

At 1525 GMT the rand was 0.91% firmer at R15.23 per dollar after opening at R15.37, a chunk of those gains coming after the data showed July consumer prices slowed to 4%, the lowest since January.

The subdued price growth reignited bets the Reserve Bank (Sarb) may reduce rates again after a 25 basis point cut to 6.5% in July, giving a boost to companies and consumers.

A sharp slump in the rand, about 10% since the beginning of August, and fears of a global growth recession had all but extinguished the chances of a cut.

“Repeated signs of inflation moderating during the third and fourth quarter of 2019 should present the Sarb an opportunity to rejoin the global easing bandwagon,” research analyst at FXTM Lukman Otunuga said in a note.

Africa’s most industrialised economy contracted by 3.2% in the first quarter as nationwide power cuts by the ailing utility Eskom hit mining, manufacturing and retailers.

With companies struggling to eke out profits as strained consumers cut spending and face a weak growth outlook and continued political uncertainty, monetary stimulus by a typically cautious central bank may be the only short-term solution the country has.

“The Sarb is likely to retain a cautious policy stance in view of the recent rand depreciation and persistent vulnerability of a sovereign credit rating downgrade,” said Kamilla Kaplan of Investec.

Before the inflation data surprise, a poll in the previous week by Reuters showed all but two of the 20 economists surveyed saw lending rates staying on hold at the bank’s September meeting.

On the bourse, stocks strengthened amid positive risk sentiment as investors awaited the outcome of a meeting on US interest rate cuts.

The broader All-share index climbed 0.66% to 54,638 points, while the Top 40 index rose 0.6% to R48,83.

Topping the blue chips was South Africa's Aspen, which gained 6.95% to R69.52. Discovery also rose 4.77% to R104.87, recovering after being affected by jitters over the National Health Insurance Bill (NHI) bill.

The NHI bill seeks to centralise healthcare funding under the government.

"The risk is back on, so all the shares that have been pummelled over the last few days have been catching up," said Byron Lotter, a portfolio manager at Vestact.

Bonds also responded positively to the inflation data, with the yield on the benchmark paper due in 2026 down 12.5 basis points to 8.265%.