

# PMIs prepare to show up cracks in economic trends

By  Andre Cilliers

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South Africa's rand continues to be trading within the broader R18.00 to R18.50 range which is at minimum marginally stronger as the market prepares itself for the outcome of decisions that will be made around local PMIs and the Fed this week.



Source: iStock.

The rand has been in this range for the better part of 11 weeks, only briefly breaking either side of the range. We are still happy to trade the range for now as we need new impetus from the international market to break this.

PMI surveys for the manufacturing sector will give investors further insight into the health of Africa's most industrialised economy, while the Fed is expected to deliver another 25 basis point rate hike on Wednesday.

This follows the Reserve Bank of Australia hiking its rates by 25bps points earlier this morning. As a result, the market is pricing a 95% chance of the Fed also hiking at tomorrow's Federal Open Market Committee (FOMC) announcement. This will take US interest rates to 5.25%. With the yield curve still heavily inverted, the market is still expecting rate cuts again later in 2023.

The focus in the US will also remain on the banking sector after JP Morgan agreed to buy First Republic Bank after its failure, the second in as many months.

## 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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