

# Negative risk sentiment expected to continue; exporters' opportunity to cover short-term exposure



By [Andre Cilliers](#)

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We expected the market to move on the back of the Fed meeting last night, and we were not disappointed.



Source: [iStock](#)

## Rand update

Last night, Fed Chair Powell was trying to manage fear while stating that inflation could be worse than first thought and that accommodative policy is a thing of the past, for now at least. This uncertain tone hit risky assets like the rand with a hammer, with the local unit losing 30 cents overnight and trading at R15.42.

Since last night, there has been a definite shift in risk sentiment, and it would not be a surprise if the rand tested the R15.50 level. Today, we have the MPC meeting, and it is expected that the MPC will hike rates by 25 basis points. We could see some Rand strength should that be the case, but the move can be short-lived as a rate hike will probably have been priced in already.

## Commodity update

There has been a definite shift in the market from Gold to the US dollar overnight, and we have seen the yellow metal losing over \$30 per ounce. Gold is trading at \$1,814. Since last night, Platinum has also lost some ground and is currently trading at \$1,017. Palladium is still trading above \$2,300 per ounce at \$2,306. Brent Crude has failed to break above \$90 per barrel and is currently trading at \$89.16.

## International update

The hawkish stance by the Fed was confirmed last night, which led the US dollar to strengthen to 1.1218 against the euro. This US dollar strength was felt through the market, with not one currency left unaffected. The Dollar Index also shot higher and is currently sitting at 96.84.

The US stock indices felt the brunt of the Fed announcement, with the Dow and S&P 500 losing over 2% after the meeting and closed the day in the red.

We expect the negative risk sentiment to continue, and should we test the R15.50 level, it will be a good opportunity for exporters to cover short-term exposure.

## 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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