BIZCOMMUNITY

South African rand slumps to 28-mth low as dollar reigns supreme

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South Africa's rand slumped to a 28-month low on Monday, tracking other weakening emerging market currencies as safe-haven US dollar continued its ascendancy against a basket of major peers.

Source: Reuters.

At 1602 GMT, the risk-sensitive rand traded at 18.1000 against the dollar, 0.74% weaker than its previous close. It hit 18.1150 earlier in the day, its lowest since May 2020.

The dollar index, helped by the British pound's decline and a fresh 20-year low for the euro, was last up 0.84% at 114.080.

Like most emerging market currencies, the rand is highly susceptible to global drivers such as the US monetary policy.

"The increase in the hawkish tone of the FOMC last week caused risk assets to weaken further, including EM currencies, and so (did) the rand as markets factor in a higher US interest rate trajectory, for longer, in the face of crumbling global growth," Investec analyst Annabel Bishop wrote in a research note.

Shares on the Johannesburg Stock Exchange rose, boosted by tech and consumer discretionary stocks, recovering from steep falls triggered by the South African Reserve Bank's (Sarb) interest rate hike.

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The Sarb delivered another big rate hike last week, following other central banks, taking its main lending rate close to pre-Covid levels. This sent major stock indexes, especially consumer-oriented ones, tumbling as the hike added to the high cost of living.

South Africa's largest food producer Tiger Brands led the gainers on Monday, ending 10.43% higher after reporting it expected annual profits to rise despite recall costs.

Overall on the stock market, the Top-40 and the broader all-share indexes both closed up over 0.3%.The government's benchmark 2030 bond fell, with the yield up 10.5 basis points to 10.875%.