

Rand gains after hawkish policy statement

THE rand strengthened against the dollar early today, supported by yesterday's hawkish policy statement as the central bank signalled a rate hike in the coming months.

At 8.28am the rand was trading 0.43 percent stronger at 11.7920 to the dollar compared with its closing level yesterday.

The rand touched a three-week high of 11.7350/dollar yesterday after Reserve Bank Governor Lesetja Kganyago warned that inflation expectations remained uncomfortably close to the upper end of the 3-6 percent target range over the longer term.

After the decision to hold rates, the rand retreated to close at 11.8425/dollar.

"The rand and long-end bonds may have found support from the very hawkish (policy) statement which accompanied the monetary policy committee's decision to leave the repo rate unchanged yesterday," Carmen Nel of Rand Merchant Bank said.

Kganyago said the bank's monetary policy committee voted 4:2 in favour of keeping

the benchmark repo at 5.75 percent but warned the deteriorating inflation outlook meant the stance could not be "maintained indefinitely".

The market today was also awaiting the release of US inflation data later in the day.

In fixed income, the yield for the 2026 benchmark was down 0.5 basis points to 7.955 percent. – Reuters