

STRATEGY NOTE:

SA: FX AND BONDS

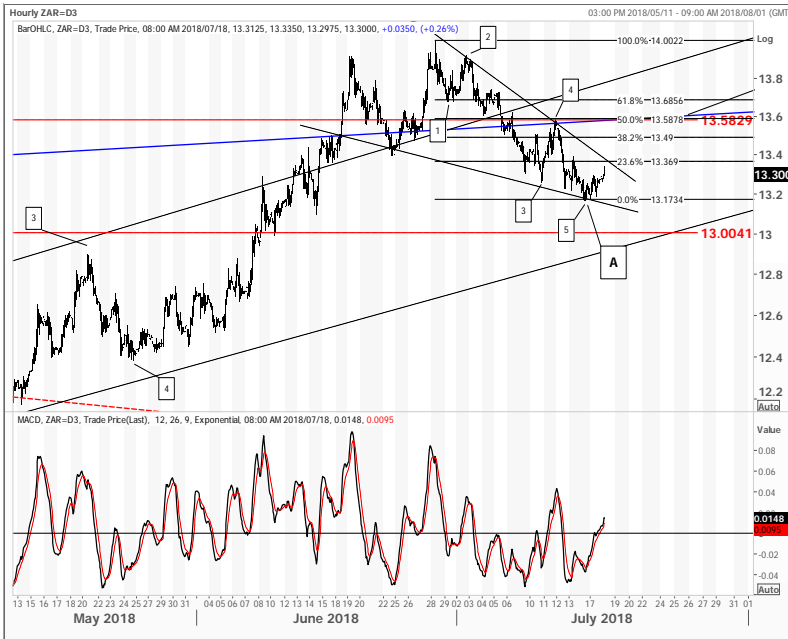
THE FIRST PART OF THE CORRECTION IS COMPLETE



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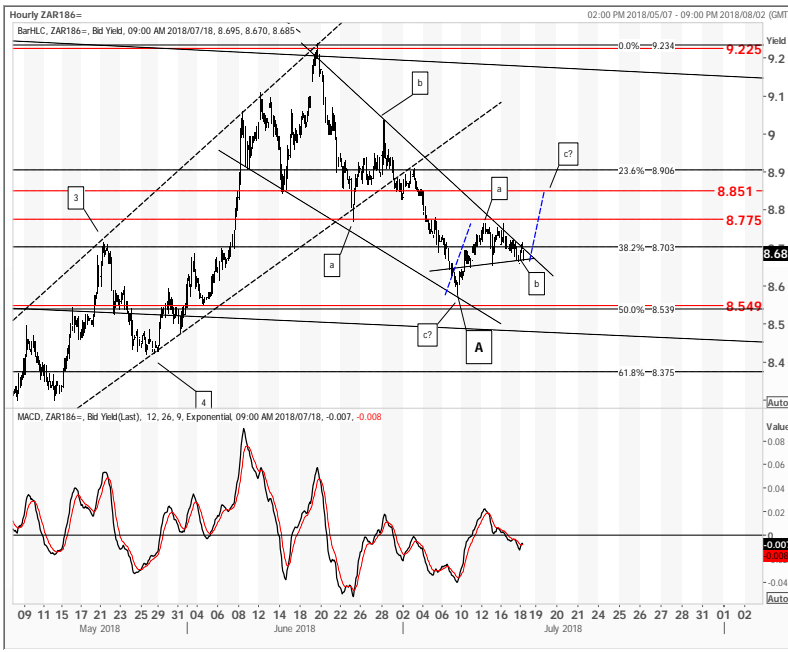
\$-RAND, THE FIRST PHASE OF THE CORRECTION IS MOST LIKELY COMPLETE



Source: Reuters, Nedbank CIB

- Yesterday we mentioned that the \$-rand is starting to lose bearish momentum. The \$-rand has completed a 5-wave corrective pattern which we believe is the A-wave of an ABC corrective pattern post the bull rally from 11.50 to 14.00.
- A break above 13.37 will confirm the B-wave is busy playing out. At this stage we believe the (blue) neckline from 1Q17 at 13.58 is the likely target level. This level is also the 50% Fib retracement of the correction from 14.00 to yesterday's low.
- Once the market starts to top out we will be able to call the target levels for the C-wave to the downside.

R186 WORKING INTO A WEDGE, WE EXPECT A BREAK TO THE UPSIDE



Source: Reuters, Nedbank CIB

- The pattern on the bonds is a bit different as the A-wave was an ABC pattern and not a 5-wave pattern as is the case on the \$-rand.
- The A and C-waves were equal in length. The importance of this ABC pattern to the downside is the early indication that this is a correction phase and not a bull trend.
- But as with the \$-rand we believe this is only part of the correction phase and not the entire correction.
- A break up out of the channel since the June high projects a move to 8.85.
- We expect the dollar to rally again soon which will trigger a weaker rand and SA bonds.

