

Rand sheds value as dollar firms

The rand shed further value in afternoon trade due to a stronger dollar after US data showed that the world's largest economy grew faster than expected in the second quarter.



The US economy grew by 1.7% from April to June after expanding by only 1.1% in the first quarter.

In late afternoon trade on Wednesday (31 July) the rand was bid at R9.9121 a dollar after closing at R9.7938 on Tuesday (30 July).

The local currency was bid at R13.1455 to the euro from its previous close of R12.9939 and was at R15.0257 against sterling from R14.9264 at its previous close.

The euro was bid at US\$1.3262 from US\$1.3260 at Tuesday's close.

Meanwhile, Federal Reserve policy makers are due to conclude their two-day policy meeting on Wednesday (31 July) and will probably weigh the growth data as they consider the future of the central bank's US\$85bn-a-month bond-buying programme, Dow Jones Newswires reported.

Job creation

Earlier on Wednesday, private-sector jobs in the US rose by 200,000 in July, according to a national employment report by payroll processor Automatic Data Processing (ADP) and forecasting firm Moody's Analytics.

Economists surveyed by Dow Jones Newswires expected ADP to report a July increase of 183,000 private jobs.

"The key driver was the US ADP report, which was stronger than expected and we know that the US Federal Reserve is particularly concerned about the labour situation in the US and labour figures are critical to when the Fed is going to embark on quantitative easing tapering," local currency strategist at Absa Capital Mike Keenan said.

"We are waiting to see what the US non-farm payroll figures will be like on Friday (2 August). If the employment figures are better, tapering could start in September and we expect that the dollar would then strengthen against emerging market currencies including the rand," Keenan said.

"In the past, liquidity has been directed at emerging markets and (tapering of the quantitative easing programme) would put pressure on the rand as the liquidity has underpinned the rand over the last couple of years," he said.

"We had some encouraging SA trade balance figures on Wednesday (31 July), but they do not detract from the fact that SA still has a very large trade deficit. The rand will continue to be played by a wide current account number and trade deficit figure for a while," he said.

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