

Rand slips after touching fresh two-and-half-year best

The rand lost a bit of momentum on Monday morning, but the underlying trend remained strong following significant political developments at the weekend.



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Earlier in the session the local currency touched fresh two-and-half-year best to the dollar, outperforming other currency pairs.

The relative outperformance came after the ANC's national executive committee (NEC) resolved that President Jacob Zuma, whose two terms in office has been mired in controversy, should be recalled - but the timeline has yet to be decided.

Sudden appointment of new Eskom board

The other significant development was the sudden appointment of the new board at Eskom, widely considered a key risk to the focus. The power utility has been hobbled by allegations of corruption and mismanagement.

The new Eskom board will be seen as an example of swift action by new ANC leader Cyril Ramaphosa, who has promised to stabilise struggling state-owned entities (SOEs) by rooting out corruption.

But Eskom is also facing a possible liquidity crunch, which has prevented it from releasing its half-year results.

Rand Merchant Bank currency strategist John Cairns said the domestic political developments would spur yet further optimism towards the rand.

"Further optimism"

"Expect further optimism as the South African contingent at Davos talks the talk. SA is even, according to some reports, being touted as THE emerging market story of 2018!"

At 9.17am, the rand was at R12.0977 to the dollar from R12.0556, at R14.7878 to the euro from R14.7917 and at R16.7856 to the pound from R16.7499.

The euro was at \$1.2225 from \$1.2272.

Source: BDpro

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