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“The Rand, Rugby and Relative exchange rates”

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If you are moving to South Africa, whether you like rugby or not, you'll learn to love it in your new country. The game is a religion in South Africa and deservedly so after the most magnificent performance by the Orange Free State Cheetahs, who recently wrenched the Currie Cup away from the favourites, the Blue Bulls in the final.

I watched the game with a group of ex-pat Free-Staters in the UK and my ears are still ringing from the celebrations that started even before the game began. It is this enthusiasm and confidence that attracts so many people to South Africa and the enthusiasm for change allied to the ambition of the country's politicians that draws investment funds into the Rainbow Nation.

Their desire to open the financial markets was evident in the 25th October announcement that banks and financial institutions could expand the proportion of foreign asset holdings within their reserves. Following this there was an almost immediate decline in the value of the South African Rand, as Rand denominated assets were sold in favour of US and European ones. However, the Sterling-Rand exchange rate still didn't manage to break out of the range that has dominated the pair since 2003.

They are an odd pair, the Pound and Rand because the Rand is generally linked to the Euro, and the Pound has more in common with the US Dollar. This isn't a hard and fast rule but when the US Dollar strengthens against the Euro, the Rand tends to weaken in parallel with the Euro's decline and a weak US Dollar usually allows the Rand to strengthen. All of this is negated as soon as we have a rush on precious metals and the price of gold rallies. That will draw strength into the Rand because of the major part that gold exports play in the South African economy.

Recently, the commodity markets have been rampant as China's demands for metals and ore have kept suppliers working overtime and South Africa's mining industries have been no exception. The Sterling-Rand exchange rate was driven all the way down to R11.00 at the beginning of October, only to see it rise back to R11.85 before the end of the month. The fall in the exchange rate was attributed to a decline in the value of the Pound on economic concerns and the rise was a clear reaction to the Reserve Bank of South Africa's decision on foreign assets.

There are strengthening pressures on the Rand as well; the narrowing budget deficit is viewed positively by international investors and the relatively high interest rates in South Africa make the Rand an attractive option for those seeking secure interest yields but don't want to wait for US interest rates to reach more attractive levels.

Whatever the reasons for market movements, the GBPZAR exchange rate is one of the most volatile on the currency markets. In an average month, the GBPZAR rate will move up and down by 74 cents. That represents the opportunity to improve the value of your funds by 6.5% through nothing more complex than successfully timing your currency transaction.

This volatility offers fantastic opportunities for South African bound migrants to make the most of their funds because, whilst the exchange rate does leap and fall erratically, the range of trade is very clear at the moment. The Sterling buyers are out in force whenever the exchange rate drops to the trendline that extends back to 1993. It is currently providing a base to the exchange rate at R11.05. Above the market, there is a downward trendline providing the ceiling on the rate at R12.02.



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These very clear levels allow Rand sellers to target the bottom of the range and make the most Sterling for their Rand sales by selling at or around R11.10 and it allows Rand buyers to claim the most Rand for their Pounds by trading anywhere above R11.80.

That makes it all sound so easy but tracking your chosen exchange rate effectively can become a complete obsession which, unless the exchange rates are studied continuously around the clock, will see you missing the best rate because the market spiked when you weren't looking. This is why interbank currency traders set specific target levels to trade at by using Automated Currency Orders in the market. These automated tools allow them to continue to buy or sell currency even if they have to walk away from the desk or go home to see their families, which a few of us do from time to time.

Operating on a 24 hour basis they provide 24 hour protection against the risk the currency may move adversely against you but also a 24 hour opportunity to trade currency at preferential rates. As exchange rates move every second of the day with often alarming bursts of volatility, Automated Currency Orders allow you to target the best exchange rates within a currencies range at no unnecessary additional risk. For a private individual to get the same results does require them to have a specialised piece of equipment - a foreign exchange dealer; and not just any dealer; I would suggest a specialist who gets to know your needs and who can help you to trade at the right time. As long as your dealer can explain the way the market is moving, what is making it move and what the consequences, risks and opportunities are for your requirements, you have all the assistance you need to make the best informed decision on your currency transaction.

If you can find an enthusiastic dealer who likes rugby as well, then you stand to do very well in advance of your move to South Africa.

Sophie Stride is an FX Consultant with Halo Financial Ltd, a specialist foreign exchange company providing expert currency exchange services to both companies and private individuals. If you are at the start of buying an overseas property or in the process of buying currency to migrate, it is never too soon or too late to save money on foreign exchange. Halo Financial can be contacted on +44 (0)20 7350 5474 and their website can be viewed at www.halofinancial.com