



**Enough is enough!**

**NOTE:** This is likely to offend some (perhaps many) out there, but that's their business – this **Exposé** of the Rand is our business...

And is critical to your business!

**The fact is, it is high time that persons stop being hurt.**

For FAR too long now, the South African public – and yes! – you and the investing and business world – have been fed up with the biggest lot of mumbo jumbo from hamstrung economists and out-of-touch “financial experts” regarding the South African economy and the inherent value of the Rand.

More than a year or so ago, these are the very same persons that painted a rosy picture week after week of an economy that was rollicking along, with a future as bright as a thousand candles (before or after Eskom).

And then, **SUDDENLY**, the Rand's “sharp and unexpected” fall caught them totally by surprise, forcing a change of tune and a looking for all sorts of excuses as to why this has happened, and perhaps why it shouldn't have.

Now, this might have been all right, because the beauty of being an economist is that your job is always secure, no matter how much gobbledygook you speak and write.

BUT, the thousands of businessmen and investors that looked to them as trusted advisors were **also** CAUGHT OUT and LOST OUT – BIG TIME!

And the reason is that **the truth about the South African economy and the Rand was not being told**, and persons were merely being told what these economists wanted them to believe – remember many economic reports are issued to influence the business clients of the source of the reports...

**BUT, in some strange way, we feel responsible for what has happened...**

“Why,” you may ask? “Were you also banging the same drum?”

**No, in fact quite the opposite.** You see, we saw this coming a LONG way off.

In fact, if you had read previous issues of *The Rand – a Fundamental View* (dating back to May 2006), you would have become very much aware that we were predicting an imminent crash.

BUT, what we **didn't do** was SPREAD THE WORD FAR ENOUGH.

And so, this is what we have started, commencing with the February 2008 issue, with the more accurate title:

**“Rand Exposé – The Fundamental Truth”**

**ex-po-sé** [ èks pō záy ]

Definition 1. an exposure or revelation, often by way of an article or book, which provides shocking or surprising information

2. a declaration of facts: a formal and systematic statement giving facts about something.

The time has come to let it all out – this is the truth, the whole truth and nothing but the truth on the Rand. We will spill ALL the beans (there are no lucky ones we keep to ourselves), and show you the nitty-gritty.

We will give you the lowdown on:

- ❖ What the Rand's true value is, based on 3 different collaborations of factual data
- ❖ How competitive South Africa actually is compared to its trading partners
- ❖ How to analyze an economy like a business – like your business
- ❖ Whether the past few years growth has been healthy
- ❖ Whether direct foreign investment is all it is made out to be
- ❖ Whether South Africa is really still a commodity-based economy
- ❖ What danger signals we were looking out for, and what has happened
- ❖ Why the Rand doesn't move in line with trade-competitive fundamentals
- ❖ Where you can expect the Rand to move to in the future
- ❖ ...AND how you can profit handsomely in future by knowing this

This time round, we want to ensure that this gets to as many persons as possible that are affected by the South African economy and/or Rand's movements.

**BUT (and this is important)... we want YOU to do your bit.**

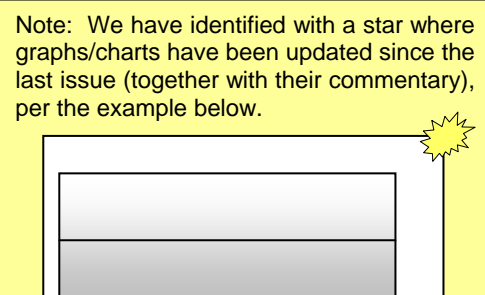
The basis we are sharing this with you is that, IF you find value in this report, you will undertake to ensure that every person you know that is affected by the Rand's movements gets their hands on this as well – you owe it to them to ensure they see things as they should be, and don't get hurt again.

And do you know? They will be indebted to you for it. And we have made it simple – all you have to do is go to this link [www.randforecasts.co.za/recommend.php](http://www.randforecasts.co.za/recommend.php)

Agreed? OK, here goes.

Thanks and enjoy!

*James Paynter*  
James Paynter



**The Story Behind the Truth**

Having been in an export-related business since 1993 (tank container investment management – see [www.paynter.co.za](http://www.paynter.co.za)), we fully believed after being 8 years in the business that we were clearly operating in a definite, steadily-depreciating currency market.

In this period we had seen the Rand rise (fall against the Dollar) in a clear trend from the low R3's to the mid R6's by 1998, and we were not surprised to see this trend continue the next 3 years – although the sharpness of the rise in 2001 to over R13 by the end of the year was mind-numbing.



But from then, our world turned upside down, as the market retraced sharply to R8.50 the next 12 months, and to R6.20 by December 2003 and further in the next few months. And we burnt our fingers badly, like many others out there.

In a few short years, our business model had been turned on its head. This change in the Rand's fortunes was lauded by economists, government and SARB Governor alike, who with one voice acclaimed:

**“A Strong Rand is Good – it means a Strong Economy”**

**...BUT, did it really?**

We asked ourselves, “Was this true, and if so, what had changed?”

We looked for answers from traditional “experts”. But the more we heard and the more we read, the more it did not make any real, logical sense. Eventually, we decided the only way was for us ourselves to undertake an in-depth study into the Rand, looking at the real fundamentals of the South African economy to determine where the Rand should be, based on these base fundamentals, whether we were now in a “strengthening currency economy” going forward, and to answer the question as to whether the above statement was true or not.

The results of our initial study were first published in July 2004. But since that date, we have continually updated and expanded it to cover other aspects that affect the South African economy as a whole. Having discovered the truth, the whole truth and nothing but the truth, we take pleasure in sharing it with you – **so you can share it with others**.

**1) WHAT IS AN EXCHANGE RATE?**

To try and investigate our questions regarding the Rand, we first needed to answer the above question.

What is an exchange rate? Why does a currency appreciate or depreciate? This must be an essential baseline to this study.

In essence, an exchange rate is the **adjusting factor** (an economic mechanism) **...between a domestic economy** and that of its **international trading partners...**

...so that exported goods and services exported remain competitive...

... and goods produced for local consumption are not threatened by cheaper imports.

The exchange rate **compensates for product cost differentials**, and other factors that affect international trade competitiveness.

It is amazing that many don't understand this elementary mechanism and don't appreciate what its prime function is.

So, what are these product cost differentials?

The Domestic Supply Chain Cost of any product and its ultimate Value Added can be reduced to its essential elements:

**Labour Cost and Productivity**

If there are differentials in underlying Labour Cost and Productivity between two countries producing the same product, the essential adjusting mechanism to enable these countries to continue to trade (whether export or import) at competitive prices is **the exchange rate**.

International trade succeeds through this essential gear working efficiently, or fails if interfered with!



The table below gives an example of how differences in labour



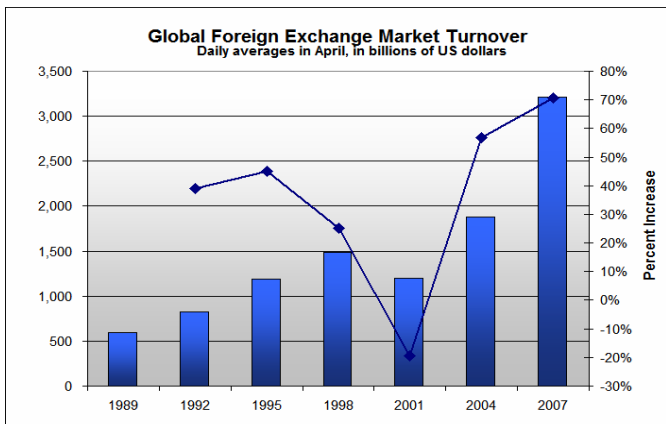
cost and productivity between two countries result in an adjustment in cost and therefore comparative price in a product.

South Africa	(Illustrative data used)	United States
R 800	Domestic Price	\$100
	(Base Rate of R8.00/\$)	
105%	Labour Cost Index	101%
	+	
101%	Productivity Index	105%
	=	
4.0%	Change in Product Cost	-4.0%
	Local Price	
R 832	adjusted change in costs	\$96
<b>Export Price Scenario</b>		
R 832	@ Base rate of R8.00/\$	\$104
R 832	@ Strong rate R6.00/\$	\$139
R 832	@ Realistic rate R8.67/\$	\$96

Without this gear reacting regularly, *and unimpededly*, SA exporters would not be competitive overseas, and local manufacturers serving the domestic market would not be able to compete with imports from other countries.

**2) THE RAND FOREIGN CURRENCY MARKET**

To determine and understand the Rand foreign exchange market within the global market and who the major players are that are active in this market, was an all-important element in our studies.



Firstly, the above chart shows the global currency market, which has exploded as a financial tradable market in the past few years, with a Daily turnover in 2007 of **\$3.21 trillion Dollars!**

This makes it by far the largest traded market globally, more than all the stock, bond and commodity markets put together.

And to put this in perspective, the total output of the United States economy (Gross Domestic Product) was \$13.2 trillion in 2006. Based on the latest data, the forex market trades more than this **every week!**

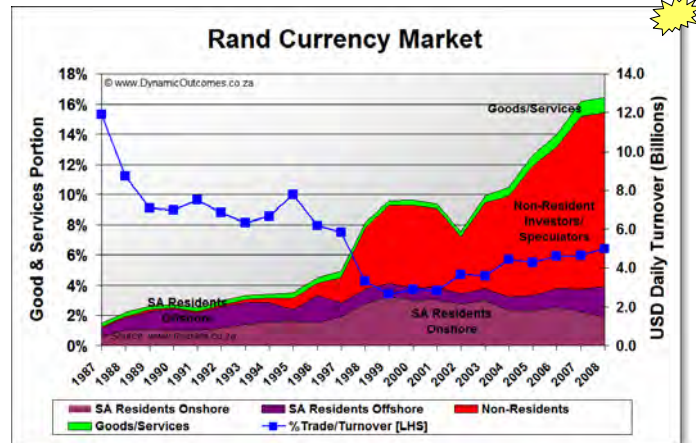
Of this vast volume, trades against the South African Rand amount to **less than 1%** of the global market turnover. Wow!

The average daily turnover on the Rand currency market for 2007 is estimated to be US\$12.8 billion, compared with US\$6.3bn in 1998 and US\$2.3bn in 1992.

Who are the players in the Rand currency market? They can be

broken down into 3 groups:

- South African exporters and importers of goods and services
- Investors in the South African bond and equity markets and other domestic investments
- Currency traders, who buy and sell the Rand as a mere commodity.



Per the above Chart, of this total turnover of some US\$12.8 billion in 2008, only **6.4%** related to Goods and Services, the **93.6% balance being investment and speculative!**

*This is one of the most important facts to understand concerning the Rand!*

And of this 93.6% that is non-trade related, the break down is:

- **69.8% are transactions by foreigners** (Non-Resident Investors/Speculators), having increased from a mere 4.3% in 1992 to 50% in 1998 to current levels.
- 11.8% are by residents living in South Africa or its neighbours, that is, in the Common Monetary Area (SA Residents Onshore) – down 2.7% pts since 2007.
- 12% are by SA residents living overseas (SA Residents Offshore) – up 3% pts since 2007.

Now to ask the important questions:

Do currency traders/speculators care where the Rand is pegged?

- NO, as long as they can make some profit on its movement, either way (e.g. buy the currency at R8.00/\$ and sell it at R10.00/\$, or sell it at \$9.50 and buy it at \$8.00)

Do investors in South African bonds and equities care where the Rand is pegged?

- NO, they are looking for the highest returns, as long as their capital is secure (e.g. bring funds in at R7.00/\$ and earn 10% p.a. in the money market for a year, and take it back out at the same level or better).

If the Rand is at R7.00 to the Dollar or R3.00 or even R300 to the

Dollar, this wouldn't make any difference to these players, as long as they enter and exit the market at the right rate and right time.

It can therefore easily be understood that a currency's level is influenced by these large players – who have no real concern as to whether it is “weak” or “strong” – trading it to suit their own purposes, that is, the use that they make of any currency (as a tradable or an investment commodity).

Thus, investors and speculators are largely responsible for *short-term* and *medium-term* price movements.

So what determines the true value of the Rand? **Goods and services**, whether bought or sold.

However, whereas this represents a miniscule portion of the total turnover in the Rand currency market, it determines the *long-term* rate of change and hence the trendline value of the currency –

Eventually, economic forces will ensure that a currency adjusts **back to its true level**, which is determined by *international competitiveness* in **trade of goods and services**.

However, due to leads and lags, there can be huge imbalances in the interim period and considerable diversion from this trendline until economic forces bring the currency back into line.

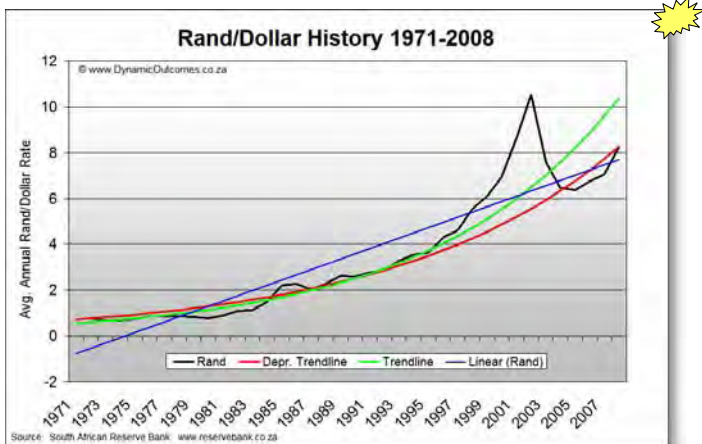
**3) THE BURNING QUESTIONS...**

The initial questions to be investigated and answered were:

- o **What is the present trendline value** of the Rand?
- o What are the **product cost** and **competitiveness differentials** between South Africa and its trading partners?
- o **How have these factors changed** over the past years, and especially since the opening up of the South African economy to the global market?
- o **What can be expected for the future?**

**4) HOW HAS THE RAND PERFORMED HISTORICALLY?**

We first looked at the Rand's long term historical performance:



The above Graph shows the **Rand's performance since 1971** (in **Black**) reflecting the *average annual* exchange rate by year, and the trendline for the period.

Taking a look at the long term history of the Rand provides some indication as to where we can expect the Rand in the future.

So, what can we learn from this?

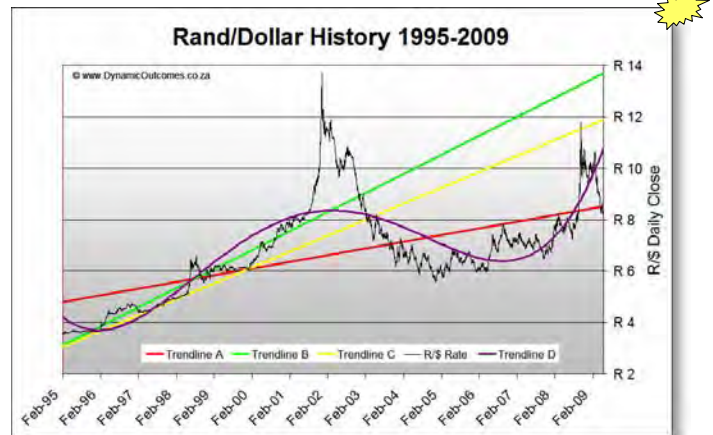
- The average depreciation per annum compounded is **6.8%** for the period 1971 to 2008 (**Red** line). This means that the currency has had to adjust by an average of 6.8% year on year during these 38 years for South African goods to continue to be competitive.
  - The **Green** Trendline from 1971 to 2008 shows the undervaluation of the spike in price in late 2001 and overvaluation extent of the counter movement since mid-2003.
- This long-term Trendline indicates that the average rate for 2008 should have been **R10.50/\$** – compared with an actual average rate of around R8.25/\$.
- The **Blue** linear Trendline indicates that the average rate for 2008 should have been **R7.700/\$**

So, based on a long term historical trend, the Rand's true trendline value in 2008 was between **R7.70 and R10.50** and should be expected to depreciate at around **6.8% per annum**.

However, when we looked at this, we believed this period could be seen to be too long a view considering the considerable changes that had taken place in South Africa since 1994:

- abolition of apartheid,
- establishment of a democratic government
- scrapping of the Financial Rand
- reduction of import duties
- monetary policy tied to inflation targeting

So we then looked at the period since the Financial Rand was discontinued in February 1995 and ceased to exercise an abnormal influence on the Rand currency market:



The above Graph (Black line) shows the Rand movement since February 1995 to date, reflecting the daily rate since that date, showing the rise from under R4.00/\$ up to the peak of R13.85 in December 2001 and then down to the low of R5.65 in 2004 before rising up to the R11.85 level last year before falling back down towards the R8.00 level again.

Off this, we computed four different trendlines:

**Feb 1995 – May 2009 Trendline A (Red)**

- We first computed a linear regression trendline from February 1995 to date.

This takes into account both the abnormal depreciation in Q4 2001, culminating in the 2 day spike above R13/\$ in December 2001, and the extended overcorrection below R7.00/\$ and excursion below R6.00/\$ before the rapid move back up last year and then back down again the past months.

- This updated trendline has an annual depreciation of **4.1%** and indicates the Rand should at present be **R8.50/\$**

**Feb 1995 - Oct 2001 Extended Trendline B (Green)**

- We then excluded the period of the above-mentioned aberrations following October 2001, and produced a linear regression trendline with this data.

- This trendline has a depreciation of **10.9%** per annum and, when extrapolated, indicates the Rand should at present be **R13.70/\$**

**“Floor Rate” Extended Trendline C (Yellow)**

- The third trendline we generated was an absolute “floor rate” trendline, based on strongest Rand levels over the same period as Trendline B above (Feb 1995 to October 2001, i.e. excluding the present aberration)

- This reflects an annual depreciation of **10.0%** and when extrapolated, indicates the Rand should not be stronger than **R11.90** to the Dollar at present

**Feb 1995 – May 2009 Polynomial Trendline D (Violet)**

- Instead of a pure linear regression, we have produced a polynomial regression for the full period, which is a curve-fitting trendline instead of a linear one. As you will notice, this curve effectively oscillates about Trendline A.

- This “curve-fitting” trendline indicates that the Rand’s fair value is **R10.75** to the Dollar at present.

To summarise then, we have the following:

38 Year History	Value	Depr p.a.
1971 - 2008 Trendline	7.70 – 10.50	6.8%

14 Year History (since abolition of apartheid & FinRand)	Value	Depr p.a.
Feb 1995 – May 2009 Trendline	8.50	4.1%
Feb 1995 – Oct 2001 Trendline	13.70	10.9%
“Floor Rate” Trendline	11.90	10.0%
Polynomial Trendline	10.75	

**5) “BUT IT IS DUE TO DOLLAR WEAKNESS” – OR IS IT?**

In 2004, there was a large contingent out there that said that the Rand’s strength was purely due to Dollar weakness.

This perhaps had some merit outwardly...

...but was it *the truth*?

We analyzed this argument too, by looking at the **Trade Weighted Value** of the Rand – how it measures up against a trade-related basket of currencies, not just the Dollar.

Firstly, we had to determine the trend of the Trade Weighted Value of the Rand, which we show below in an updated Chart.



The above Graph shows the following lines:

- The monthly Trade Weighted value of the Rand (source: SA Reserve Bank) from 1990 to date (**Black Line**)
- A linear regression trendline for the full period (**Red Line**).  
This indicates that the April 2009 trendline Trade Weighted Value is **45.00** compared with an actual Trade Weighted Value of **63.36** (base being 100 in year 2000).
- The above data enabled us to produce a Deviation of actual Trade Weighted Value from regressive trendline Trade Weighted Value over the same period (**Blue Line**).

This updated data reveals a very interesting picture:

- In December 2001, the Rand was 39% undervalued compared with its trendline Trade Weighted Value.
- In December 2007, the Rand was 44% overvalued compared with its trendline Trade Weighted Value
- Since then, with the depreciation of the Rand against its trading partners, this reduced to being only 17% overvalued in October 2008.
- However, as of April 2009, this has once again increased to 41% undervalued, indicating the Rand has not fallen as much against the Dollar compared with its trading partners.

In order to interpret this data in numbers that were meaningful,



we then incorporated this into a Rand/Dollar chart.



The above Graph now reflects the following:

- The actual Dollar/Rand exchange rate from 1990 to date (**Black Line**)
- The Deviation of actual Trade Weighted Value (data sourced from SA Reserve Bank) from regressive trendline Trade Weighted Value over the same period (**Blue Line**) – taken from the previous Chart.
- An adjusted Rand exchange rate, computed by taking the actual exchange rate and adjusting it by the Deviation factor (referred to above), determined on a Trade Weighted Index basis (**Red Line**).

By applying this Deviation Factor to the actual Rand exchange rates, we can establish what **the Rand's trendline rate would be** for the period 1990 to date **based on international competitiveness with trading partners**.

That is, recognising currency movements of *all* the economies of South Africa's trading partners in relation to the Rand.

The revealing results are:

- the Rand has been overvalued since July 2003 when it moved stronger than the Trade Weighted rate of R7.60/\$
- as at **April 2009** the Rand should be **R12.70/\$** on a Trade Weighted basis – up from R10.85 in August 2008.

Surprising stuff, considering that it has been claimed that the Rand strength was merely due to just Dollar weakness.

So now we have some indication of where the Rand's present trendline value lies.

BUT, as already stated, an exchange rate is an adjusting mechanism for differences in productivity and labour cost between one economy and another so that they can continue to trade competitively.

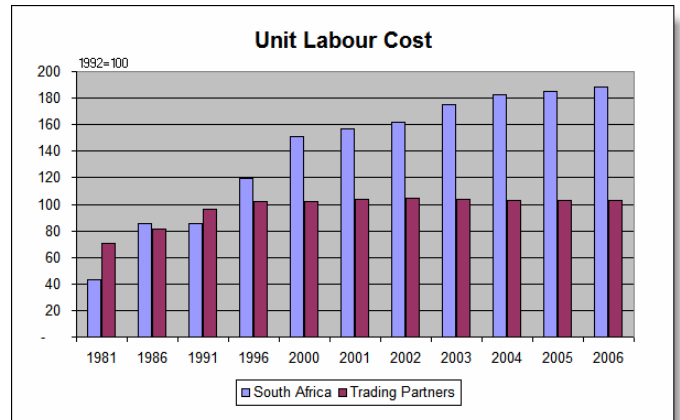
It was essential therefore to investigate how this definition of the Rand's correlated with the above Trade Weighted analysis.

We needed to determine how South Africa had fared historically.

**6) INTERNATIONAL COMPETITIVENESS**

*Note: Unfortunately, more up-to-date data has not been obtainable for the whole of this section, and thus has not yet been updated for the last few issues.*

Based on data gleaned from the Bureau of Labour Statistics and the International Monetary Fund, we were able to look at comparisons in Labour Cost and Productivity between South Africa and its Trading Partners.

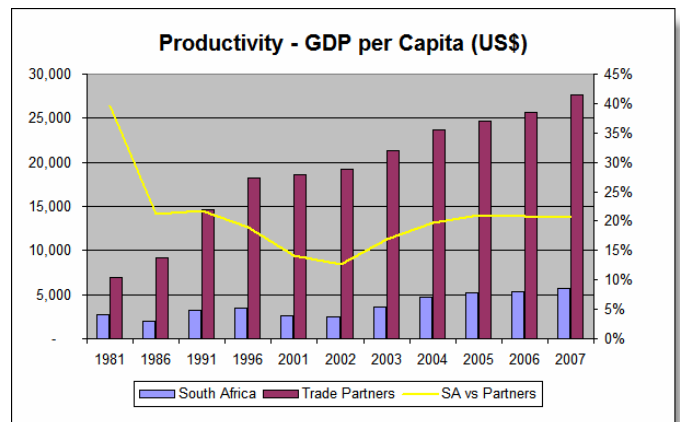


Firstly, the above chart shows the Labour Cost Index for South Africa and its trading partners.

From this Chart, you can see that South Africa's Labour Cost Index has increased steadily – compared with its trading partners, which have actually gradually reduced slightly since 1996.

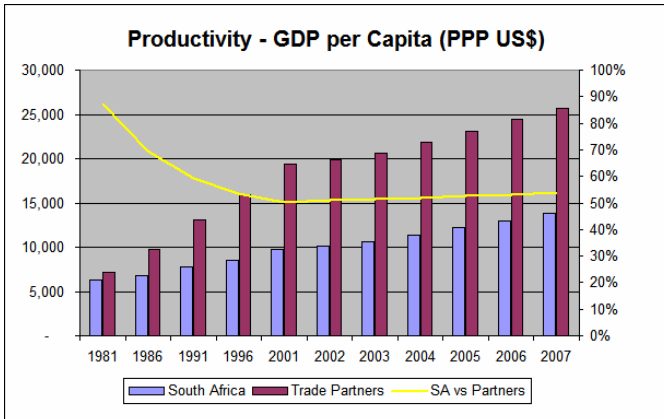
Compared with its trading partners, South Africa's labour cost has increased by **11.5% p.a.** since 1981 and **5.8% p.a.** since 1996.

Going onto Productivity, we have used GDP per capita as a first yardstick here.



As can be clearly seen from the above Chart, South Africa is still way behind in Productivity, currently **just 21% of its trading partners** (Yellow Line), down from 40% in 1981, but improved from 13% in 2002, almost recovering to 1991 levels.

Another measurement of Productivity would be on a Purchasing Power Parity (PPP) basis, shown in the Chart below.



On this basis, South Africa is currently producing **54% of its Trading Partners GDP per Capita** (Yellow Line again). This has dropped from 87% in 1981 but has recovered slightly from around the 50% level in 2001.

Compared with its trading partners on a GDP per Capita (US\$) or PPP (US\$) basis, South Africa's productivity is between **21% and 51% of its trading partners** – with a sharp drop from 1981 levels and 2007 showing not much change from mid-1990 levels

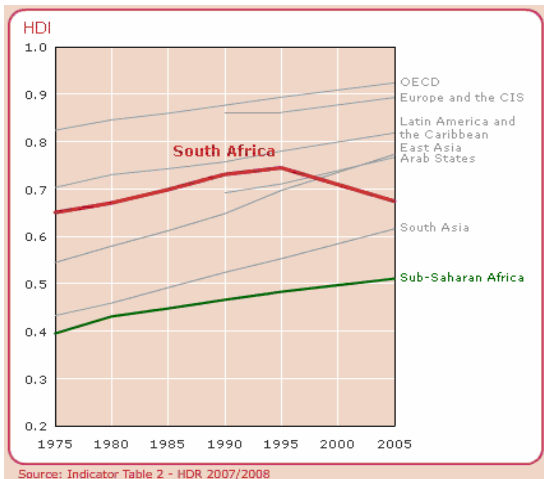
Now this computation is purely on GDP per capita and gives a good indication, but not an overall picture.

An overall comparison would be to use the data as provided by the United Nations Development Program ([www.undp.org](http://www.undp.org)).

One of its reports provides a Human Development Index (HDI) which is a composite measurement incorporating life expectancy, literacy, education and PPP GDP per capita per nation.

And here's the shocker:

In 2005, South Africa's Human Development Index (HDI) was 0.674 – ranking **121<sup>st</sup> out of 177 countries**.  
More significantly, South Africa **dropped 35 places** between 1990 and 2003!



The above Chart which clearly shows the true story of the progress over the past 30 years or so.

From this chart it can be seen that up to 1995, South Africa was keeping abreast of its trading partners in terms of Human Development.

But since 1995, it has fallen away sharply – back to 1980 levels! And by comparison, the steady upward trend of other developed and developing countries has continued.

So, has South Africa kept up with its trading partners?

...Definitely not – we are back to where we were in 1980!

Will this affect South Africa compete with its trading partners?

...Yes, it most certainly has – and will!

The big question arises: **What has been the cause?**

Well, the following three factors have had a significant effect:

- **HIV/AIDS Pandemic**
  - The United Nations estimated in 2006 that there was a 18.8% prevalence of HIV/AIDS in persons aged 15 to 49 in 2006.
  - This equates to 5.5 million people living with HIV.
  - In the same group 71% of deaths are caused by AIDS.
  - South African average life expectancy is now 49 years, and is forecast to be 41 by 2015.
  - Two macroeconomic studies quoted by the IMF estimate that average labour hours lost amounts to between 33.3% to 40% for employees with AIDS.
  - Extrapolating this into the workforce, based on an estimate that 25% of the 5.5 million affected had full-developed AIDS and were employed, this would equate to a loss of close to a billion man hours per annum, or 1.5% of total man hours per annum.
- **Black Economic Empowerment (BEE/BBBEE)**
  - Perhaps a touchy subject in some quarters, but the bare facts are that this is a race-based policy which has not worked and has seriously affected the South African economic machinery adversely.
  - The government's implementation of this policy has meant that, in most cases competent, highly-qualified and trained persons in positions of vital importance and responsibility (in both government and quasi-government organizations as well as public and private enterprises) have been replaced by unqualified and incompetent persons purely on the basis of skin colour.
  - This has resulted in a significant reduction in efficiency and productivity, an increase in corruption, and a breakdown in the country's essential services and infrastructure – affecting



Health Services, Education, Electricity Supply, Fuel and Power Supply, Crime Prevention and Transportation networks.

- The Eskom electricity debacle is a case in point. How many billions have been lost due to bad planning, a lack of foresight and preventative maintenance?
- The enforced policing of this policy in businesses has resulted in a similar reduction in efficiency and productivity.

➤ **Emigration of Skilled Labour/Professionals**

- A secondary effect of BEE (directly or indirectly) is the massive exodus of skills, qualifications and experience, especially of professionals and highly skilled tradesmen, who either cannot get work in South Africa due to BEE implementation and/or have left due to the breakdown in essential services and increase in crime.
- Statistics released by the SA Institute of Race Relations in 2007 said that one million white people had left the country.
- This is set to rise even more after recent ongoing power outages and political uncertainty – just in January 2008 applications for emigration increased 400% with some migration consultants claiming the largest recorded enquiries in 23 years.
- These skills will take years to be replaced, some never, and has a serious impact on this country's ability to compete with its trading partners.

We can now summarise this data regarding International Competitiveness:

- **SA labour cost** has increased at a higher rate than its international trading partners – **11.5%** annually for 25 years, although this has improved to **5.8%** since 1996.
- **SA productivity** is between **21% and 54%** of its trading partners and has decreased while increases were achieved by its trading partners – a differential of **7%** annually for 26 years, although this has improved marginally since 1996.
- **SA Human Development Index** has fallen sharply since 1995 – back to 1980 levels – while all its trading partners have increased steadily.
- The three major Secondary Factors highlighted above all show in no uncertain terms that **risks to the upside have increased dramatically** in the recent short term, with the real effects on the economy probably still to be felt.

Since 1996 the situation seems to have improved, but from an overall perspective it would appear we have not moved too far at all, if the Human Development Index is anything to go by.

Using these data, we produced a summary comparing **South Africa's competitiveness with its trading partners** - broken down into Quantifiable, Semi-definable and Indefinable Effects:

	Annual Differentials		
	1981-2006	1996-2006	Future
<b>Primary Factors (Quantifiable Effects)</b>	<b>18.5%</b>	<b>4.3%</b>	<b>5.0%</b>
Labour Cost	11.5%	5.8%	6.0%
Productivity	-7.0%	1.5%	1.0%
<b>Secondary Factors (Semi-definable Effects)</b>		<b>2.0%</b>	<b>5.0%</b>
AIDS Pandemic			^
Black Economic Empowerment			^
Emigration of Skilled Labour/Professionals			^
<b>Structural Factors (Indefinable Effects)</b>		<b>1.0%</b>	<b>4.0%</b>
Infrastructure Inefficiencies (Transportation/Energy/Fuel)			^
Crime and Security Factors			^
Immigration Burden Costs			^
Illiteracy/Education Levels			^
Unemployment Burden Costs			^
Delivery Costs (remoteness from major markets)			=
<b>Total</b>		<b>7.3%</b>	<b>14.0%</b>

Based on the above facts and assumptions,

The differential in competitiveness between South Africa and its trading partners is estimated to have been around **7.3% annually the past 10 years**, with the future in all likelihood looking a lot bleaker, **possibly as high as 14%**.

**7) THE SOUTH AFRICAN ECONOMY - A SIMPLISTIC VIEW**

We then asked the question: How is the economy affected by the Exchange Rate?

When looking at the performance of an economy, economists speak in terms of Trade Account, Services Account, Current Account, Balance of Payments, Net Capital Inflows, etc.

But what do these terms and numbers actually mean? Can we relate these numbers to an ordinary business, and if so, how?

Well, consider this:

If South Africa had NO trade or business transactions with any other country, would there be a necessity for an exchange rate? .....**NO**

Would the Rand have an external value? .....**NO**

Since 1992, South Africa is NOT a closed economy (not one which has no external trade transactions), but is heavily dependent on foreign trade.

The simplistic viewpoint set out hereunder helps to explain a complex situation:

Consider South Africa to be a huge business venture, a private company, called **Republic of South Africa (Pty) Ltd**, and that:

- All persons are employees of RSA (Pty) Ltd
- There are various departments in RSA (Pty) Ltd making up the supply chain so that ultimate finished goods are sold to other companies i.e. exported to other countries.
- The interdepartmental transfers (trade within South Africa), although value added, are not accounted as turnover and profits, it is the finished goods and services when exported, and sold at profit, that achieve turnover and profits for RSA (Pty) Ltd.

The economic data relating to South Africa's foreign trade can be restructured in a form which suits this simple Company viewpoint, as set out in the Income Statement below (data in Rand billions):

Income Statement for RSA (Pty) Ltd								
Ordinary Description	Technical Description	2002	2003	2004	2005	2006	2007	2008
Sales	Exports	333	291	311	352	434	534	704
Cost of Sales	Imports	(283)	(265)	(312)	(360)	(477)	(574)	(740)
<b>Gross Profit/Loss</b>	<b>Trade Balance</b>	<b>50</b>	<b>27</b>	<b>(1)</b>	<b>(8)</b>	<b>(43)</b>	<b>(41)</b>	<b>(36)</b>
Other Revenue	Offshore Services	57	67	67	76	88	103	113
	Offshore Investment/Dividends	20	18	18	26	36	43	42
Expenditures	Foreign-sourced Services	(70)	(75)	(85)	(102)	(124)	(147)	(175)
	Foreign Investment	(47)	(51)	(43)	(54)	(69)	(104)	(113)
<b>Net Other Revenue</b>	<b>Services Account</b>	<b>(41)</b>	<b>(40)</b>	<b>(43)</b>	<b>(55)</b>	<b>(70)</b>	<b>(106)</b>	<b>(134)</b>
<b>Total Net Income/Current Account</b>		<b>10</b>	<b>(14)</b>	<b>(45)</b>	<b>(62)</b>	<b>(112)</b>	<b>(146)</b>	<b>(169)</b>
	% of GDP	0.8%	-1.1%	-3.2%	-4.0%	-6.5%	-7.3%	-7.4%
<b>Cash outflow requiring short-term funding:</b>								
Bank Overdraft/Loans	Foreign-sourced Loans	0	(14)	(45)	(62)	(112)	(146)	(169)

Understandably, there is no scope in this summary to comment on the above data in detail – **but please study it yourself**. When we did in 2004 for the first time, and with every update since –

**It was for us the Exposé of the Rand!**

As can be seen from the above Income Statement, RSA (Pty) Ltd had a good year in 2002, recording a *Gross Profit* (Trade Surplus) of R50.2bn and a *Net Profit* (Current Account Surplus) of R7.5bn.

But since 2003, trade performance started sagging and the situation has progressively deteriorated:

- In 2004, a Gross Profit had reversed into a small Gross Loss, while Net Other Revenue loss had also increased, resulting in a worrying R44.6 billion Total Net Loss, which further deteriorated in 2005 to a R64.4 billion loss.
- And then in 2006, Gross Loss (Trade Deficit) more than trebled, and Net Other Revenue (Services Deficit) further deteriorated, with Total Net Loss (Current Account) at an astounding R112 billion!
- And 2007? Gross Loss (Trade Deficit) had reduced slightly, but the Net Other Revenue (Services Deficit) had deteriorated by 50%, with a Total Net Loss (Current Account) at an alarming R145 billion!
- The overall rot continued in 2008. Gross Loss (Trade Deficit) reduce again slightly, but Net Other Revenue (Services Deficit) loss grew again steadily to nearly double that of 2006, pushing Total Net Loss (Current Account) to a record **R169 billion loss!**

Is this a good performance? Should the "directors" feel happy with the performance of the company?

Well, from their reported statements they seemed to be until quite recently – *but only because their bankers have been happy to finance this escalating net loss*.

But who are these bankers?

Mostly, short-term investors, seeking higher yields. And just like any short-term financier, at the first sign of trouble, what will they do? *Recall their loan or investment*.

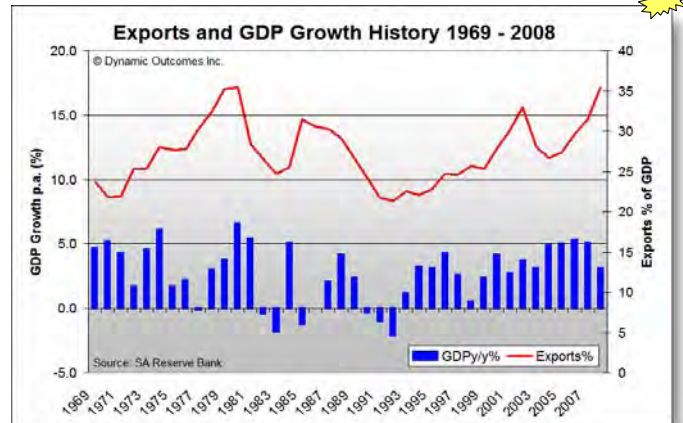
**8) HAS GDP GROWTH BEEN HEALTHY GROWTH?**

Now, a question will no doubt arise, being:

"What about the amazing growth that has been experienced the past few years – GDP of around 5%?"

How can this be so, if the picture is as stark as is spelt out above?"

Well, we took a look at this as well.



The above charts shows the GDP growth per annum for the past 40 years, and to what extent exports contributed to it.

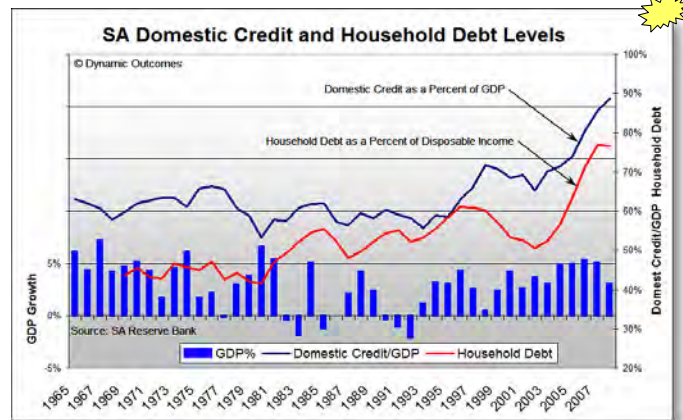
As can be seen, historically up to the early 1990s, when exports as a percentage of GDP have been high, GDP figures have been good, while a sharp fall in export composition has coincided with poor economic growth.

How was it then, when exports declined to low levels in 2003-2005, that the local economy was experiencing a sustained boom in growth?

Exports contribute some 25%-35% to GDP, but what is the biggest component by far?

Private consumption. This sector contributes around 60% to the Gross Domestic Product, and this boom in consumer demand has been the driver behind the growth the past few years?

But has it been healthy demand? The below chart tells us in no uncertain terms – No, it has not!



What has happened? From the chart, one can see:

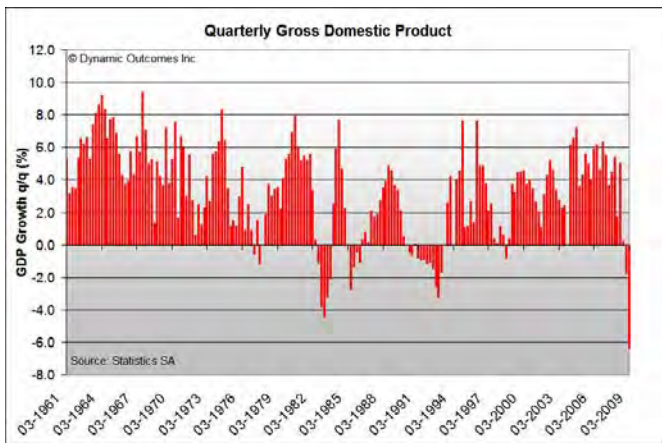
- Domestic Credit has grown to 89% of GDP in 2008 from 56% in 1993 – mostly since 2002 when it was 65%.
- Household Debt as a Percentage of Disposable Income has risen from just 51% in 2002 to 77% in 2008.

In essence, consumer demand has been on the back of an explosion in credit extension, and thus GDP growth has been achieved, but at a high price – more and more consumer debt!

Admittedly, not to the same extent that has been seen in the US and some other countries, but nevertheless, not a healthy situation at all, as this is exactly what caused the credit crisis and meltdown overseas!

We are starting to see the effects and fallout not only from the global economic downturn, but the local economic downturn as well, as asset prices have plunged and the consumer mood has shifted sharply to being debt-averse.

As reflected in the Chart below, the 6.4% decline in GDP for the 1<sup>st</sup> Quarter 2009 is the largest decline for the past half-century.



Despite the optimism that this is a short-lived recession, we believe the above sharp decline the past 2 quarters is a clear indication that this is a sustained Depression that we have entered, especially seeing that the decline has mostly been in manufacturing, which is critical to a healthy economy.

We expect the ratios of Debt to GDP to have risen this quarter as a result, which is an ongoing concern. The question is how much of this debt will be able to be serviced as we enter deeper into negative growth, and as asset prices decline further?

So, on reflection, has GDP growth been healthy growth?

No, not at all, as we will show further.

**9) EXPORTS AND THE TRADE ACCOUNT**

As can be readily seen from the Income Statement table of annual results in Section 7, it is imperative that South Africa achieves a positive Trade Balance (Exports exceeding Imports), to offset the Services Account, which has always run in negative territory.

For a start, let's review the long-term history of the Trade Account.



The Trade Account History chart above shows clearly that from 1970 until 2002 exports exceeded imports, and the resulting Trade Surplus more than offset the Services Account deficit, which has steadily increased year on year (more on this later).

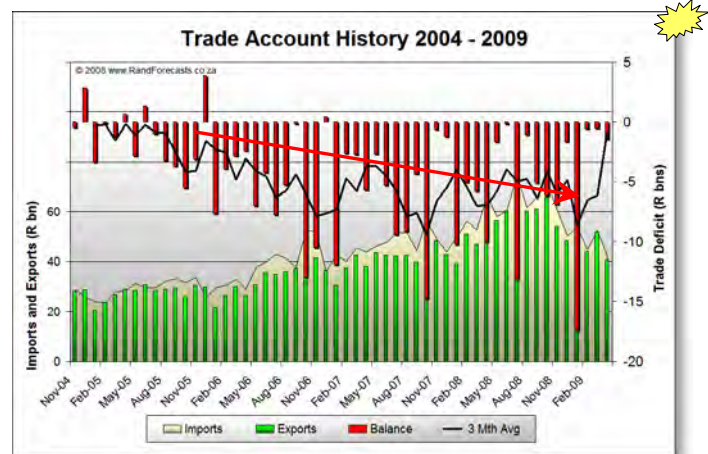
However, from 2002 the situation has reversed dramatically, with Imports outstripping Exports to such an extent that from a record Trade Surplus we tumbled to a Trade Deficit in just 2 years.

And this trend has continued:

- In 2005, the Deficit increased five-fold to R7.7bn
- And in 2006, it fell almost five-fold again to register a massive R42.5bn loss!
- There was a marginal improvement in 2007 and 2008 with R40.2bn and R35.6bn loss being recorded respectively.

And, how has 2009 progressed so far?

Let's have a closer look at the last 4 years' performance, based on the data released by SARS.

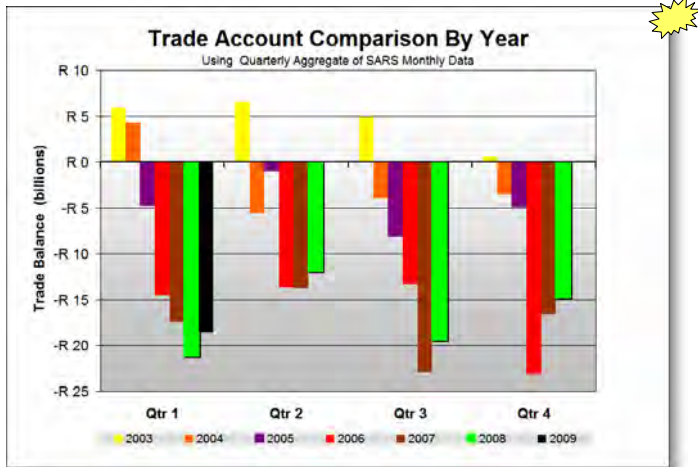


The above Chart shows an overall depressing picture, with Imports continuing to outstrip Exports and the Trade Deficit, while volatile, continuing to grow alarmingly (see the 3-month moving average).

In 2009, there have been encouraging signs since January's record deficit, February through April recording very small deficits.



Let's take a closer look at the past Quarter's performance. Below is a Chart showing the aggregate preliminary data by Quarter for the past few years.



As can be seen from the above Chart, this does not present a comfortable picture at all:

- Overall, the 3-month aggregate has deteriorated consistently year-on-year since 2003, with no surplus being recorded since 4<sup>th</sup> Quarter 2003.
- However, since the 2<sup>nd</sup> Quarter 2008 (Green bars), there has been an improvement compared with the corresponding quarters in 2007 (Brown bars).
- The 1<sup>st</sup> Quarter for 2009 (Black bar) is also showing a reduction compared with 2008, which is encouraging.

Now, it is important to understand that Export/Import figures as reported by SARS are invoice-based data, whereas the data reported by the Reserve Bank are foreign cashflow data.

Consequently, there are timing differences between the data that is reported. Historically, these differences have been significant.

Nevertheless, based on the trend of the above data, we expect a deterioration of the Trade Account for the 1<sup>st</sup> Quarter 2009 to R77bn deficit (quarterly annualized) about to be reported in the next Quarterly Bulletin.

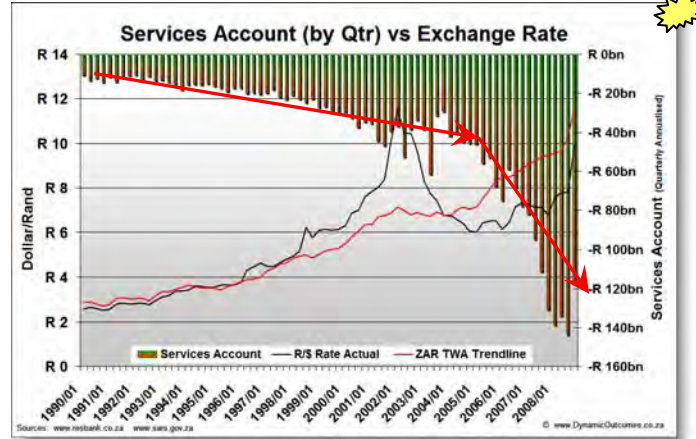
But of course, the Trade Account only makes up a portion of the Current Account – the other being the Services Account.

**10) THE SERVICES ACCOUNT DILEMMA**

As already spelt out in Section 7, there are two income generating sources in an economy – actual export of physical goods (Trade Account); and then selling of exported services and offshore investment income (Services Account).

There has been considerable public comment and concern on the Trade Account situation, and with good reason too.

But it is the Services Account that should be of just as much concern, in fact much more, with the trend that has developed.



The above Chart gives the Quarterly history from 1990.

- As can be seen, there was a gradual increase in the Service Account Deficits up to 2002.
- This was followed by a short-term recovery until early 2004, after the Rand had crossed below its Trade Weighted Value in 2003.
- Since then, the Service Account Deficit has more than **trebled** to hit a record a record **R144bn** (q.a.) in 3<sup>rd</sup> Quarter 2008 and a record deficit of R134bn for the full year.

Alarming stuff!

But, what is the cause of the deteriorating trend of the Services Account, and why should this be of increasing concern?

Well, the major portion of the Service Account deficit is due to Interest and Dividend Payments remitted offshore.

In simple business terms, as an economy, we have been trading at a loss in both the tangible and intangible areas of operation, in other words, both Trade and Services Accounts.

Consequently, we have needed to borrow money from offshore (Net Foreign Inflows) to fund these losses – but these investors are here to get a return on their investment:

The higher your borrowings, the higher your interest cost

...the higher your interest cost, the bigger your loss

...the bigger your loss, the more you need to borrow

... it becomes a vicious circle.

But then, as some have proclaimed, we have had the distinct advantage that there has not been the need to rely solely on these short-term borrowings, with their indeterminable recall timing, because there has been substantial foreign investment of a permanent character!

However unpalatable as our comments might be, the actual facts are that some of this country's major income-generating assets have been sold offshore to foreign companies.

Great! We have foreign inflow (to fund the Current Account).

BUT, the profits generated since then are being remitted as dividends out of this country and are no longer for this economy's benefit.

And the boomerang result? – an increasing outflow of funds through increased dividend payments that have, or will soon, surpass the initial capital inflow – and it will not stop then...but continue for years to come!

These are two major reasons why the Service Account Deficit has continued to escalate, and we believe that, in business terms, this is a whirlpool that is almost impossible to escape from when you get to this point.

But yet we have sailed along the past few years quite complacent that our bankers (short-term investors) are happy with our performance – or maybe just tolerant of our bad performance...

Just like a bank that is happy to take their pound of flesh from a company that is in dire straits, knowing that they can pull their "investment" out at any time...which time, it seems, has now come (more on this later!)

**11) HAVE WE BENEFITTED FROM GOLD & WILL WE?**

This study would not be complete without addressing Gold – historically the bright side and strength of this economy. What about the bullishness of gold and other commodities – is this the reason for the Rand's strength after 2003 and, more importantly, will these not support the Exchange Rate and the economy going forward, recognizing that South Africa has been largest producer globally of some major commodities?

Is it correct that this economy, in a global sense, is a "commodity-based economy" and will rise or fall with the fortunes of the commodity market internationally?

Let's take a look at the performance of this well-nurtured prized asset over the past few decades – SA's foreign exchange earner!

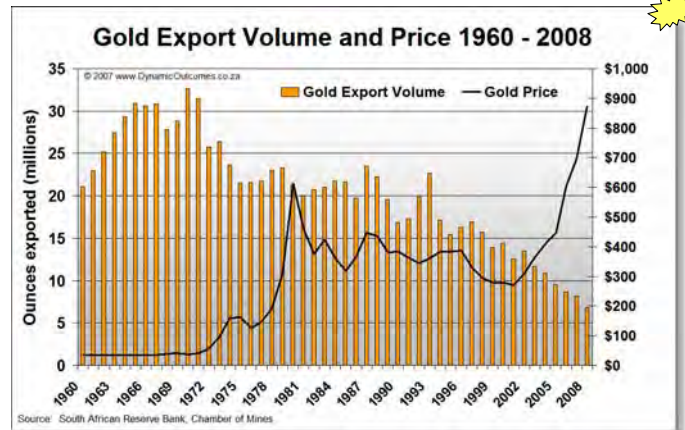


The above Chart tells us the following:

- From 1950 to early 1970s, Gold Exports represented around 30-35% of Total Exports.
- By the time the Gold price peaked in 1981, Total Exports had increased more than 7 times and Gold Exports by more than 11 times, making up 45% of Total Exports!

- Since the mid-1980s, Total Exports have steadily increased in Dollar terms.
- Over this period, however, Gold Exports have **steadily decreased** to just **6%** of Total Exports in 2008 – and this, despite the Gold price (in Dollars) having *more than trebled* in the last 6 years!

To further highlight, we attach another Chart which shows the actual volume (not value) of Gold exported by year.

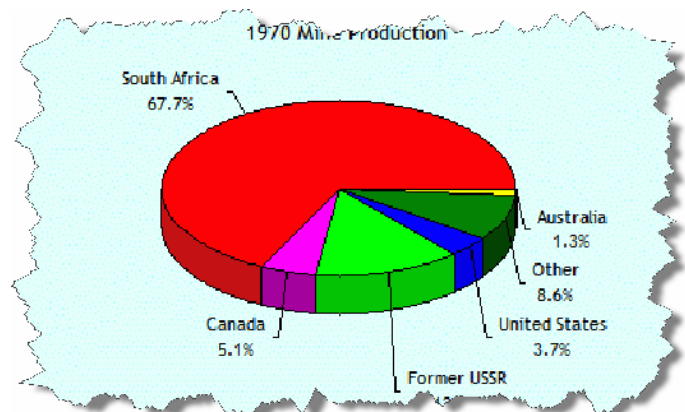


The above chart tells the dismal story as it is:

- Actual volume of Gold exported has reduced substantially the past 30 years – from over 30 million Troy ounces in the 1970's to below 10 million the past couple of years.
- And noticeably, despite the Gold price having more than doubled since 2000, this trend has continued.
- And in 2008, with the Gold price at its best levels for over two decades, South Africa exported the smallest volume in living memory – just 6.8 million ounces (that is 232 metric tones) – 14.7% less than 2007!

We have all probably taken it as an accepted fact that South Africa has always been, still is, and will always be the largest gold producer internationally.

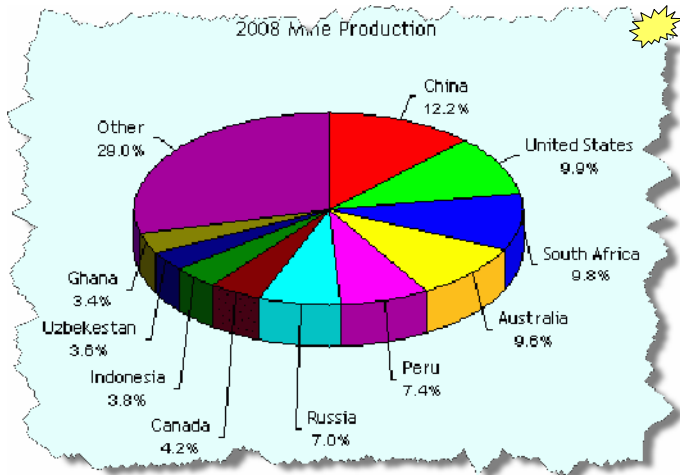
However, with the astonishing deterioration in the Gold output performance, we decided to take a closer look at this situation.



The above pie-chart shows Gold production by volume by country

in 1970, with South Africa producing over two-thirds of the world's gold – more than double the rest of the world put together – with the next largest the former USSR at just 13.7%.

Let's roll on a few years to 2008 – what a dramatic change!



Source: www.goldsheetlinks.com

From the above Chart you can see **South Africa has lost its long-held crown** of the world's largest Gold producer – to China (who would've believed China would become the world's largest producer of Gold?) and since 2008 is behind the USA as well.

SA's share of the market dropped from 10.1% in 2007 to 9.8%, while China's share increased from 10.9% in 2007 to 12.2%, and the USA. The shares of other large producers USA and Australia also reduced slightly from 2007.

So, to get back to the question:

**“What effect does Gold have on our total economy?”**

The truth is that, apart from lingering remembrance of a commodity-based economy – **VERY little!**

Furthermore, have these mining industry casualties of a strong Rand escaped the attention that they ought to have been given?

- the alarming extent of closure of gold mines and precious metal mines in recent years?
- And, as concerning, the abandoning of plans to proceed with new exploitation ventures of precious metals?
- And, more concerning still, the possible closure of more mines due to enforced rationing of electricity supply?!

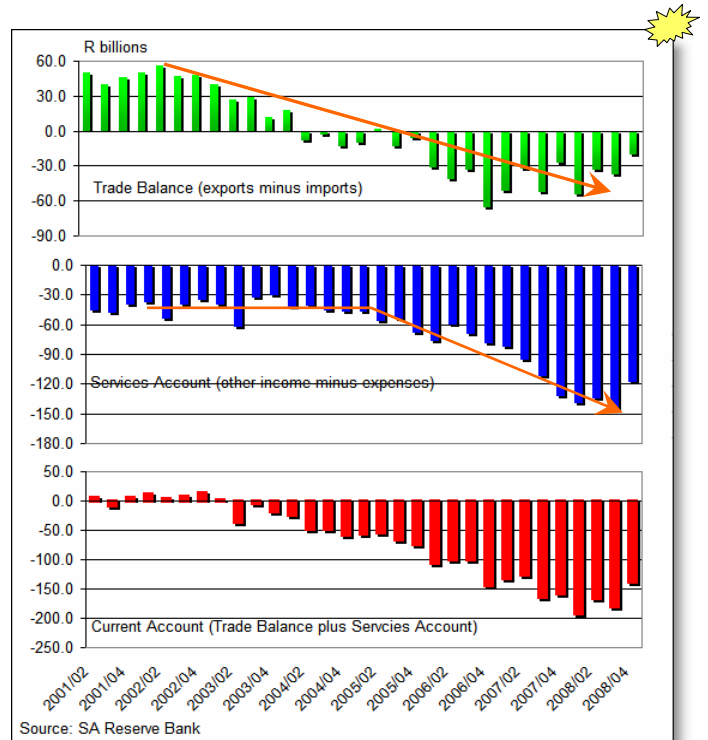
**12) CURRENT ACCOUNT DEFICIT WORSENING!**

Now! ... Here's Part 1 of the real shocking news as to where the South African economy has been heading:

We have highlighted how the Trade Balance (Gross Profit/Loss) has turned to a deficit (loss) as a consequence of declining exports (and of escalating cheaper imports challenging domestic

manufacture) and how the Services Account (Net Other Revenue) has deteriorated –

But how has this affected the Current Account (Net Profit/Loss)? Let's look at the recent history, taking a look at the following bar charts:

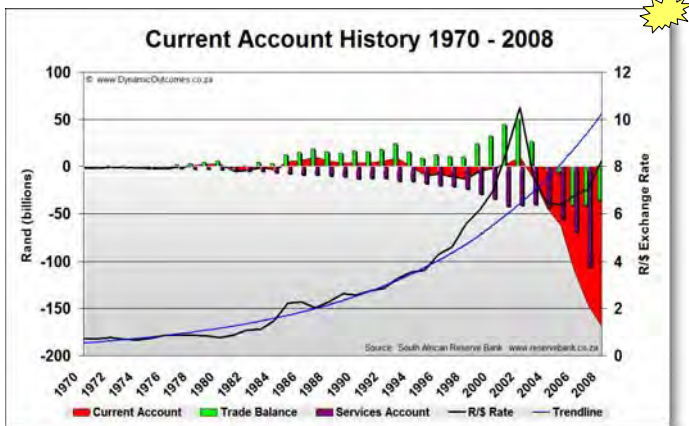


Source: SA Reserve Bank

- In 2002, the Trade Account (physical exports less imports) was showing a healthy surplus (profit) of some R50bn, which neatly offset the Services Account deficit (other income less other expenditures), resulting in a small Current Account surplus (Net Profit) of ±R10bn.
- By mid-2004, the Trade Account had dropped to breakeven, while the Services Account remained at fairly constant levels, with the resultant Current Account now in negative territory by some R50bn.
- In 2005, the Trade Account did not deteriorate very much more, but the Services Account now started showing larger deficits (losses).
- And then in 2006, the Trade Account and Services Account both started increasing their plunge into negative territory, with the resultant full year Current Account hitting a deficit of R112bn – 80% up on 2005!
- In 2007 there was an encouraging slight improvement/moderation in the Trade Account, but the Services Account continued to register record deficits each quarter, with the full year Current Account Deficit increasing to R145bn – a further 29% up on 2006!
- In 2008, 1<sup>st</sup> Quarter Trade Account again turned sour, and with the Services Account deteriorating slightly, the Current Account Deficit hit a record R192bn (q.a.) Whereas improved Trade data the next 3 quarters reduced this somewhat, the expanding Services Account more than absorbed this with a R169bn full year deficit.



The next longer term Chart – of the Current Account History – reflects historical Trade, Services and Current Account data in Rand from 1970 through to 2008, plotted against the Rand/Dollar Exchange Rate, and its long-term trendline.



What does this tell us about the economy's performance?

- From about 1990 through to 2003 the Trade Account was in surplus reaching a peak in 2002.
- During this same period the Current Account has fluctuated between R10bn surplus and R20bn deficit.
- Since 2003, when the Rand fell below its long-term Trendline, the situation has steadily deteriorated – and at an increasing rate, with 2007 recording a massive Current Account deficit of R146bn and **2008 a massive deficit of R169bn – equal to 7.4% of GDP!**

Recognizing that many export contracts are negotiated annually, the full adverse effects of “the strong Rand” are now starting to filter through. Furthermore, many companies have lost long term contracts to other economies, perhaps never to regain them, with resultant closure of many SA export manufacturing facilities.

According to the Bureau for Economic Research, a survey in 2005 revealed that 40% of manufacturers had closed their export facilities – for good!

**No! for bad – and forever!**

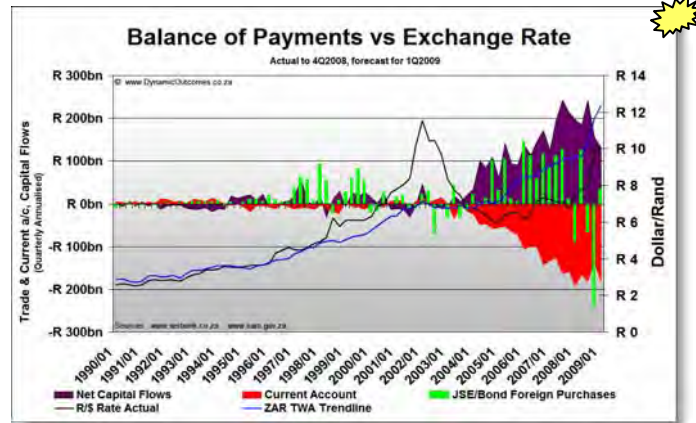
But, the strong Rand has been a double-edged sword, damaging manufacturer's export *and* domestic market areas.

True that this state of affairs forced innovative reductions in costs, and production efficiencies, but when these thrifting actions have been exhausted, the **economic mechanism – the Rand exchange rate – is needed to maintain secondary sector business**, so essential to this economy.

But this has failed, through the Authorities' stated support, until recently, of a “strong Rand”, thereby stimulating foreign inflows, and thereby strengthened the Rand, with a view to lowering imported inflation to meet their 3-6% target range.

**13) ACHILLES HEEL – BALANCE OF PAYMENTS**

And then .... Part 2 of the real shocking news is shown in the following graph – a deteriorating Balance of Payments:



This Quarterly Balance of Payments chart from 1990 to date gives a more detailed snapshot of the more recent history:

- Quarterly data in respect of the Trade Account, Current Account, plus **Net Capital Inflows** data
- This plotted together with the Rand/Dollar Exchange Rate, and the **Trade Weighted Average Trendline**.

Again, we see the relatively healthy state of affairs until the Rand fell below its Trendline in 2003 (black line below the blue line).

Thereafter, once the Trade Account started falling into deficit, the Current Account deteriorated rapidly, from R55bn (quarterly annualized) in 1<sup>st</sup> Quarter 2005 to a record deficit of **R192bn in 1<sup>st</sup> Quarter 2008**. Since then, the Current Account has declined to around R137bn in 4<sup>th</sup> Quarter 2008, still a high 5.9% of GDP.

So what can be expected for 1<sup>st</sup> Quarter 2009?

We expect a deterioration from 4<sup>th</sup> Quarter 2008 data, based on the following:

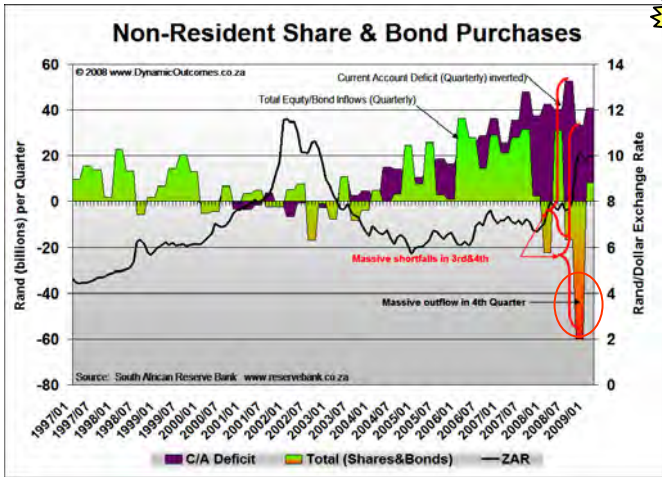
- From preliminary data released by SARS, 1Q 2009 Trade Account is R77bn (annualized).
- If 1Q 2009 Services Account deficit remains the same as 4Q2008, which we think is unlikely, the Current Account deficit is likely **to have increased to R181bn**.
- This forecast deficit would likely represent around **8% of GDP** – a dangerously high and unsustainable level!
- However, if the history of 1<sup>st</sup> Quarter Services Account deficit being more than the previous Quarter continues, the Current Account deficit could even weigh in higher.

BUT, the really alarming part is that this massive Current Account Deficit (our cashflow shortfall from operating activities) needs to be funded.

AND, more alarming, is the fact is that it has historically been funded mostly by “foreign call funds”.

But what has been happening during recent years?

Let's take a look...



**14) THE TRUTH – OUR CONCLUSION ...**

The purpose of this summary (the essence of an extensive study on the Rand, which we originally researched during 2004 and have updated and expanded quarterly since then) is to indicate to readers the direction of thought, and appropriate weighting placed on basic fundamental economic data, in order to assess on a rational scientific basis where the Rand can be expected to move in the future.

Other valid factors that can affect the Rand, such as being an emerging market, do not form part of this study or its conclusions.

Our science is a collaboration of 3 sets of data:

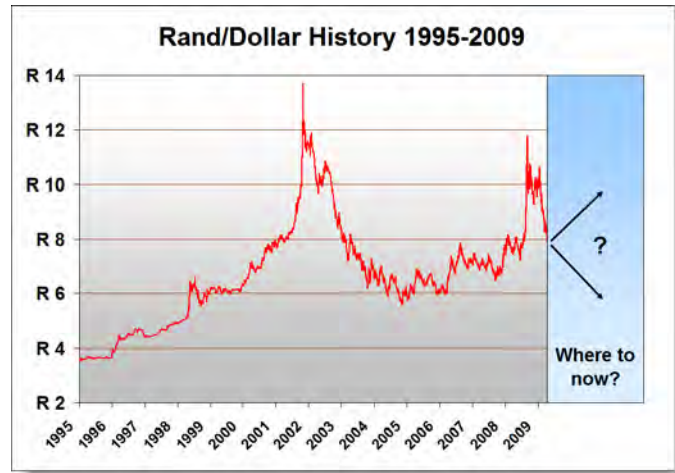
- **Historical Trendline of the Rand since 1971, using four different assumptions**
- **Trade Weighted Value of The Rand since 1990**
- **Competitiveness of the South African economy**

**All these indicate the following:**

1. Intrinsic value of the Rand in May 2009 is within the range **R8.50 - R13.70**, and
2. Economic Factors will combine to force a correction of the Rand back to its intrinsic value indicated above, and
3. The Rand will continue to depreciate for the foreseeable future at a *bare minimum* of **4.0%** annually, but **more likely around 7%** – and maybe as high as **14% annually**.

So, the recent move below this range means the Rand is overvalued at these levels, and economic factors will combine to force the Rand back to equilibrium, as we have seen before.

**That still leaves a big question:**



As can be seen from the monthly data reflected on the above Chart, historically the major portion of the Current Account deficit has been funded by inflows from foreigners purchasing local bonds and shares on the JSE and Bond Exchange.

These purchases have been robust the past few years. However, this started reversing in the 4<sup>th</sup> Quarter of 2007. Somehow, despite a small inflow for the year, the Current Account deficit for 2007 was funded, mostly by a large "Unrecorded Transactions" amount of R24bn.

But the 1<sup>st</sup> Quarter of 2008 recorded the first net foreign outflow since 2003 of R22bn (circled in **Red**). Again, somehow the Current Account was funded, with the selling off of some more of our banking assets – to the Chinese!

The 2<sup>nd</sup> Quarter 2008 saw net inflows again, mainly into the bond market to the tune of R31bn. But the next 2 Quarters recorded massive outflows, 4Q2008 a mind-numbing **R60bn!**

As can be seen from the Charts, this has left a gaping hole to be financed, which has somehow happened through huge *Unrecorded Transactions* (only the SARB know what this means).

However, the flows started returning in the 1<sup>st</sup> Quarter 2009 as investors' risk appetite returned somewhat, but there is no way that this would have funded the deficit for the Quarter.

We have warned repeatedly, since we first released our findings in 2004, that these offshore investors (in the bond and money markets particularly) can and will recall their funds immediately they see their capital being at risk... be it, a further sharp drop in stock markets, our own "subprime" fallout... or the current political events that are causing market uncertainties...

*...and that a sharp adjustment in the Rand would result.*

And that is just what we saw commencing 4<sup>th</sup> Quarter 2007. And while the Current Account remains at these levels, we see this trend extending for quite some time, and we therefore forecast:

- More outflows as "short-term bankers" withdraw their funds from the market at any sign of trouble, and
- a drop in the Rand's value.

*To be forewarned is to be forearmed...*

**15) CAN FUTURE RAND MOVES BE FORECAST?**

It's all very well knowing that the Rand is overvalued, but it remained there for years before moving back up.

Who knew when it would move up from early 2005?

And where is it likely to go from here?

Is it likely to rise further, and if so, strongly or gradually, by how much, and when?

Or will we see another move down below R7.00, or even R6.00 as some of our better-known economists are suggesting?

Is it possible to answer these questions?

We had not thought so, until in 2004 we discovered the *most advanced forecasting technology available* and started applying its uncanny abilities to forecast the Rand.

And this is what this technology told us as early as March 2005:



As can be seen from the above chart, this technology forecast:

- that the market had bottomed out at 5.60 on 31 December 2004
- and that it was expected to rise over the next few years, most probably above 11.00.

This confirmed the results of our study based on a fundamental view – the Rand was clearly overvalued and is expected to revert back to more equitable levels in the next few years.

Further, since October 2005 we have been publishing these forecasts on a daily basis, and have managed to clock up an **accuracy of over 80%** over short, medium and long term.

To give some indication of how powerful this information is, we provide herewith more recent forecasts:

On 22 February 2008, we published this Chart for the most likely scenario for the **Next Few Years** and forecast the following:

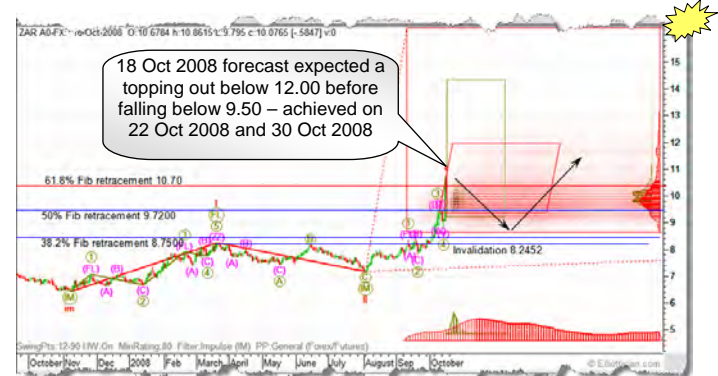
The market is expected to rise above 10.90, more likely into the 11.80 to 18.00 area the next few years.



And what happened?

The market rose over the next few months to make a high of 11.8615 on 22 October 2008

And then, just a week before the market topped out, on 18 October 2008 we published this Chart for the most likely scenario for the **Next Few Months**.



And in the forecast we said the following:

The market is expected to top out between current levels and 12.00, but possibly as high as 16.00 (with resistance at 11.20) before falling back down probably into the 9.5000 to 8.6000 area

And what happened?

The market rose to make a high of 11.8615 on 22 October 2008 before falling below 9.50 a week later and making a low of 9.1700 on 31 December 2008

Another spot-on forecast.

This is extremely valuable information to have on hand with long term planning and budgeting, but more importantly...

Where is it likely to be heading in the short and medium term now that these forecasts have been validated?

Well, we can show you – with chances being that **8 out of 10 times** we are correct.



How would YOU like to have this sort of crystal ball in YOUR hands? Quite seriously, if you are affected by the fluctuations of the Rand in any way, you need to ask yourself these questions:

- Have you ever been caught buying or selling your Dollars just before the market moved strongly in your favour?
- Do you find yourself panicking when you need to trade?
- Have you ever missed out on a good price because you thought the market would move further?

...And then waited for the market to bounce back, which it never did, and you eventually were forced to get out at a loss, or a substantially reduced profit?

- Do you spend an inordinate amount of time trying to find out where the market is heading?
- Do you wake up at night sweating, or worrying where the market is going?

If your answer to any of these questions is **Yes** – we can well understand that – and what is more, we can help you.

We have been there ourselves. And it is stressful, living in a world of uncertainty, and feeling like the market is against you.

BUT, we have found the solution. And **YOU** could well have too...

Having access to our forecasting service, and being able to see where the market is likely to head in the short, medium and long term, can mean a wonderful change to your trading – and to your stress levels:

- You live in a world of high probabilities, not unknowns
- You can trade the Rand with confidence
- You are able to maximize profits on each trade – 8 times out of 10
- You live a far less stressful life – no more headaches, no more waking up at night, no more stomach ulcers
- You have more time to spend on other things

So, if you are tired of guessing where the market is going, tired of the stress involved in deciding when to trade (and when not to):

**Take advantage today of our SPECIAL OFFER,**

backed by our Iron-Clad 30 Day Money back Guarantee.

**Try it out for a full 30 days.** We can guarantee you will see the markets as you have never seen them before.

And if for whatever reason you believe it is not for you, simply cancel and we will refund you, in full. Guaranteed.

And you will only be billed periodically thereafter as long as you continue to profit handsomely from our service.

**[Click here](#) to see details NOW.**

*Join those on the inside track today –  
change your trading life forever!*

To recommend this to a friend or colleague [click here](#) now

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