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Delayed data provided by

INET BFA

ZAR/AUD

10 ♦ (-0.22%)

ZAR/EUR

14,81 ♦ (-0.39%)

ZAR/GBP

17,59 ♦ (-0.83%)

ZAR/JPY

0,12 ♦ (0.25%)

ZAR/USD

13,59 ♦ (-0.96%)

All data is delayed

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Gold strengthens on the back of Cabinet changes - report

Apr 28 2017 16:08

Cape Town – The gold price in rand has risen by 7.8% in the last 12 days of the first quarter, following weakness in the currency as a result of President Jacob Zuma's Cabinet reshuffle at the end of March 2017.

According to the most recent SA Bullion Gold quarterly report, the precious metal had a strong performance for the first four months of 2017 ending with \$1 244.85.

This represents an 8.2% return in dollars and a 1.2% return in rand on the back of a considerable strengthening in the currency before the recent reshuffle and credit ratings downgrade.

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"Over the last ten years – from end-March 2007 to end-March 2017 holders of gold have been well-rewarded," said SA Bullion chief executive Hilton Davies in the report. "The annualised return in rand has been 12.9% and 6.5% in dollar."

'Strong investment case'

Davies reckoned that gold has a "strong investment case" as an "alternative hard currency".

"In fact, gold is the only hard currency where the holder does not have to rely on governments to do the right thing. In the case of all other currencies today, the holder submits to faith in the government of the country that issues the currency," he said.

"It's an excellent time to be entering into gold," Davies said, "due to its fair pricing and because investors get optionality at current prices".

According to Davies, gold offers an "upside link" to catastrophes – whether they're political, military or natural.

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Bullion is particularly optimistic about the prospects for gold among other things because the US and the greenback are facing significantly increased risks, while South Africa and the rand are in the same boat with regard to risks.

With regard to the US, Davies said SA Bullion envisions geo-political and military "missteps" from the Trump administration.

South Africa on the other hand is governed by a compromised and problematic president (Jacob Zuma) and administration.

A 'mismanaged economy'

According to Davies, South Africa's economy has been "appallingly mismanaged" by the Zuma government from the outset.

The credit ratings downgrade by S&P Global and Fitch in the first week of April, will mean



President Jacob Zuma.

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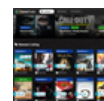
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Davies said.

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"The cost of new borrowings will therefore go up significantly and compounding the problem is the lack of institutional skills and capacity at National Treasury (following the appointment of Malusi Gigaba as Finance Minister and Sifiso Buthelezi as his deputy)."

The new ministry will have difficulty convincing lenders to take on new South African debt, Davies opined.

How does SA self-rectify?

"In a 'good scenario' South Africa, provided there's good leadership, will rise slowly until in 20 years' time it is again able to acquire an investment-grade rating and a new era of vitality will begin," Davies said.

But in a bad scenario "South Africa will have new leaders who will protect Zuma ... the rand will decline considerably, state-owned entities and social programmes will sink and perhaps collapse, and the country will rapidly start resembling most other African states", he concluded.

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