+--
--------+

Rand Heads for 2 1/2-Year Low on Chinese Data, Inflation Outlook
2011-11-23 07:03:25.169 GMT

By Stephen Gunnion

Nov. 23 (Bloomberg) -- The rand headed for the weakest in 2 1/2 years after reports showed Chinese manufacturing may contract this month, damping demand for commodities, and South Africa’s central bank warned about inflation risks.

South Africa’s currency declined for a third day, losing 0.6 percent to 8.4280 as of 8:44 a.m. in Johannesburg. A close at that level would be the weakest in since May 19, 2009.
Commodities fell after a preliminary reading reported by HSBC Holdings Plc and Markit Economics showed a November reading of 48 for the purchasing managers’ index, from October’s 51.

Rising energy costs and a weaker currency are upside risks for inflation, offsetting the effect on prices from lower growth in Europe as a result of the debt crisis, the central bank said in its twice-yearly Monetary Policy Review yesterday. A report today may show South Africa’s consumer inflation rate rose to 5.9 percent in October, from 5.7 percent the previous month, according to the median estimate of 18 economists in a Bloomberg survey.

“Any upside surprises could support the rand from a yield differential perspective, as hopes for an interest-rate cut in the New Year might fade,” Michael Keenan, a Johannesburg-based analyst at Standard Bank Group Ltd., and colleagues wrote in e- mailed comments. “However, such an outcome would, at best, only stem further rand depreciation rather than encourage appreciation.”

Bonds fell for a third day, driving the yield on 6.75 percent securities due 2021 up 4.4 basis points to 8.255 percent.

For Related News and Information:
Foreign-Exchange Information Portal: FXIP <GO> Top South Africa: SOA <GO> Stories on South African bonds: NI SJB <GO> Top Currency Stories: TOP FX <GO> Currency Forecasts: FXFC <GO>

--Editors: Alan Purkiss, Ana Monteiro

To contact the reporter on this story:
Stephen Gunnion in Johannesburg at +27-11-286-1936 or
sgunnion@bloomberg.net

To contact the editor responsible for this story:
Gavin Serkin at +44-20-7673-2467 or
gserkin@bloomberg.net