The Rand and Real Versus The Dollar and Euro?

News that **South Africa** and **Brazil** are holding serious talks about replacing the dollar and euro in trade with one another (http://www.engineeringnews.co.za/article/south-africa-and-brazil-discussing-reducing-role-of-dollar-in-bilateral-trade-2011-11-28) is more rhetoric than substance when one looks at the numbers and the nature of the complaints the two **BRICS** members have with the two dominant Western currencies. With both countries increasingly turning toward **China** [now SA's largest trading partner ($7bn in exports and $10 bn in imports with China compared to $700 million in exports and 1.2bn in imports with Brazil)] and Brazil already embarking upon real-renminbi currency swaps (http://www.marketwatch.com/story/china-brazil-plan-currency-trade-deal-reports) the idea that they will find solace in each other's respective currencies – both experiencing their most significant declines against the dollar in years is hard to understand (though their consternation with the Fed's management of the dollar is not). As we indicated in ***APB*** **September 21, 2011, "South Africa: The Rand Begins To Tap Out"** there is something *South Africa-specific* about rand weakness which would hardly be comforting to Brazil. The necessary function of a currency as a unit of account and store of value in a world where no dollar alternative has yet to emerge and where America and Europe are still primary sources of aid and credit (if not trade) denies sufficient rationale for and ROI from a dramatic greenback-euro dumping, at present Our 'call' made in September ('*don't be surprised to see the rand touch 9 or even approach 10 to the dollar before the year is out*') still holds (the rand has fallen to 8.4 from 7.7 to the dollar since our prediction).

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November 29, 2011