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Outlook for the day

The improved overnight traction in US markets coupled with a modestly upbeat tone in the Asia-Pacific region will allow the JSE to extend its upside at the commencement of today's session. The improvement needs to be contextualised against the fact that the JSE-ALSH has firmed by more than 7000 points since the third week of September with the JSE-INDI adding more than 10,000 points over the course of the past 31 trading days. Short term metrics on the JSE are exceptionally stretched and traders who are holding very short term trading exposure which has enjoyed brisk upside should use the current strength as an opportunity to engage in profit taking.

- Central bank action
- Iran talks hope
- China property debt rout and chips optimism.

Here's what's moving markets.

Fed Dials Back Bond Purchases, Plots End to Stimulus by June

The Federal Reserve approved plans to begin scaling back its bond-buying stimulus program this month and end it by June, a major step toward withdrawing its aggressive, pandemic-driven economic support amid a recent inflation surge. The Fed cut its short-term benchmark rate to near zero when the coronavirus pandemic hit the U.S. economy in March 2020. It held rates at that level on Wednesday. It also has been buying at least $120 billion a month in Treasury and mortgage securities - initially to stabilize financial markets and later to hold down longer-term interest rates. The Fed's holdings of those securities have more than doubled since March 2020 to around $8 trillion. The Fed will reduce its bond purchases by $15 billion a month in November and by a further $15 billion in December, the central bank said Wednesday. Fed officials are reluctant to lift rates until after they have ended the bond purchases.

Exchange rates

Latest Rates	Spot	Move
USD/ZAR	15.32	v
GBP/ZAR	20.96	v
EUR/ZAR	17.87	v
CHF/ZAR	16.74	v

South Africa

Coalition's direction still unclear

Speaking at the IEC last night Jessie Duarte said co-operating with the DA would be "a bridge too far" citing its racist agenda, lack of belief in local economic development and black economic empowerment. Both she and ANC treasurer-general Paul Mashatile still left open the possibility for compromise. According to the BD high level coalition talks began last night so there is not much point in trying to capture all the utterances as many of them will have to be walked back. Just a few though: Steenhuisen "Mashaba cannot be mayor"; EFF secretary general Marshall Dlamini "We are going to have a mayor, we are not playing games this time around, we are in...if Tshwane is available to us we are going to take it."

Many metros without majority party: ANC, DA support down, EFF up

Johannesburg, Tshwane, Ekurhuleni, Nelson Mandela Bay, and eThekwini are without a majority party.

ANC overall support appears to have declined from 53.91% in the 2016 local government elections to under 46%, the DA from 26.9% to 21.25% while the EFF increased from 8.91% to 10.4% and the FF up to 2.38% from 0.77%.

In Johannesburg the ANC got 24.06%, the DA 25.49% and ActionSA 16.06%.

Plaudits for TeamSA in Glasgow plus scepticism on delivery

The BD editorial lavished well merited praise on SA's well planned success with Ramaphosa, Barbara Creecy, Valli Moosa and De Ruyter mentioned in despatches. Immediately below the editorial, however, Peter Bruce says while the developed countries think they have a deal with the SA government "it is in fact with the ANC a semi-criminal enterprise; greedy, incompetent etc" He then goes on to mention that Gwede Mantashe, upon whom Ramaphosa relies for re-election as presidential candidate in 13 months' time, is opposed to a quick programme for shutting down coal.

Easy Does It

The U.S. Federal Reserve said it would scale back its massive stimulus by $15 billion a month starting in November, though Chair Jerome Powell stressed that the tapering doesn't mean policy makers will hike rates any time soon. The dollar slipped and stocks hit a record. Meanwhile, markets are pricing-in an interest rate hike from the Bank of England today, even as economists remain somewhat split. Finally, European Central Bank President Christine Lagarde renewed her pushback against bets for a 2022 rate increase.

Talking Again

The U.S. and Iran will resume talks on Nov. 29 about reviving the 2015 agreement that imposed limits on Tehran's nuclear program, after a five-month delay that fuelled scepticism over eventual sanctions relief. Oil markets extended earlier declines on supply implications but are steadying this morning. Former President Donald Trump ditched the agreement in 2018. Later, the OPEC+ cartel holds a meeting on output.

Signs of Stress

The selloff in China's stressed property developers resumed Thursday, amid signs of contagion spreading to the onshore market. Spiking borrowing costs are making it all but impossible for developers to refinance debt, while property market curbs are weighing on home sales. At least four property firms defaulted last month. Grace periods are soon due to expire for overdue bond-interest payments owed by Evergrande — the star of the chaos so far.

Chirpy Chipmaker

Investors looking for evidence that the global chip shortage is nearing an end got a boost as U.S. giant Qualcomm gave an upbeat forecast for the latest quarter, sending its shares up about 7% in post market trading. The firm said it's having an easier time finding enough supply to meet demand. Still, constraints will persist into the second half of next year, forcing the industry to keep hustling to get the parts it needs, it said.

Coming Up

- European markets are set to join Asia in welcoming the Fed's patience on raising interest rates, with futures pointing upwards.
- The earnings keep coming, with reports from lenders SocGen,
- ING and Credit Suisse all in focus in Europe, while Airbnb and Uber are U.S. highlights.
- Meanwhile, Norway's Norges Bank and the Czech National Bank hold policy meetings.
- Finally, Lagarde will give remarks at the Women in Economics conference.

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References: PMK Investment committee, exchange4 free, Momentum Investment consulting, Momentum securities, RMB Global markets Swissquote, eToro, Currency Partners