

## Outlook for the day

The touch of weakness in the overnight US session coupled with a mixed tonality in the Asian Pacific region and a lack of outright traction in early morning US futures trading action will contribute to modest profit taking on the JSE at the commencement of today's session. The elevated near-term technical position on several domestic indices substantially increases the likelihood of short-term profit taking from current levels and heightened alertness is now appropriate regarding risk control of short-term trading positions with decisive stop-loss discipline now appropriate.

## Exchange rates

Latest Rates	Spot	Move
USD/ZAR	15.50	^
GBP/ZAR	20.86	^
EUR/ZAR	17.52	^
CHF/ZAR	16.73	^

- Europe faces a new rise in coronavirus infections,
- Bitcoin is hovering around a key level and
- the inflation debate rages on.

Here's what's moving markets.

## Reimpositions

Europe is ramping up its fight against Covid. Germany is redoubling its push to get people vaccinated, Belgium is reimposing work-from-home mandates to fight the surge in cases there and Spain is rolling out booster shots to contain infections. Meanwhile, Sweden is planning admission restrictions on some events and Portugal says it will take any measures "necessary" to stem the tide of cases. Many new restrictions are being targeted at the unvaccinated. In the U.S., warnings about holiday gatherings are being issued as cases rise there again too.

## Bitcoin Hovers

Bitcoin is continuing to fluctuate around the key \$60,000 level, following signs this week that traders are reining in some of the excessive speculation which has sent the cryptocurrency soaring. Central bank officials say changing trends and developments on the regulatory and monetary side could also halt the gains for digital assets, while U.S. lawmakers believe legislation is needed to regulate cryptocurrencies before they start to pose a danger to the financial system.

## Cooling Mania?

The parabolic gains for electric-vehicle makers this week got a partial reality check in the shape of a cooling for Rivian Automotive, which ended its run of jumps since listing by wiping out around \$23 billion of its market capitalization. That meant it slipped back behind Germany's Volkswagen in the list of the top automakers globally by market value. EV start-ups Lucid, which itself leapfrogged the values of General Motors and Ford this week, also pared its recent run and is struggling to get Wall Street

analysts to take notice. Both, along with EV behemoth Tesla and the run of stock sales by its founder Elon Musk, are likely to remain keenly in focus.

### **Inflation Debate**

The debate on the transitory nature of inflation is showing no sign of slowing down. The impact is showing up clearly in multiple areas, including across goods in the U.K. and with predictions that food prices will remain elevated owing to labour shortages. Economists see U.S. President Joe Biden's spending plan adding to inflation and the rally in European gas prices is fuelling concerns too. All of which contributes to the inflation dashboard for Federal Reserve Chair Jerome Powell starting to show signs of overheating.

### **U.K. Inflation Hits 10-Year High, Stirring Expectations of Rate Rise**

Annual inflation in the U.K. accelerated to its fastest rate in a decade, strengthening expectations the Bank of England will be the first major central bank to lift interest rates from pandemic lows as worries over global inflation intensify. Consumer prices increased 4.2% on the year in October following a 3.1% rise in September, the U.K.'s Office for National Statistics said Wednesday, the fastest rate of inflation since December 2011 and more than twice the BOE's 2% target. Economists and investors believe the BOE could act as soon as next month to tame price growth, moving in front of the U.S. Federal Reserve and the European Central Bank in the gradual process of withdrawing stimulus from recovering economies even as supply-chain snarl-ups slow growth.

### **Biden demands FTC probe by FTC of "potentially illegal conduct in the oil sector".**

The demand gets short shrift from analysts who said it was a familiar playbook for presidents seeking culprits for rising fuel costs and would have little impact on prices. A gallon of gasoline has risen 60% in the past 12 months to an average of \$3.41 with the American Petroleum institute saying Biden's demand was "a distraction from the fundamental market shift taking place" and blamed the administration for restricting oil supplies. US oil production is around 11.5mbpd or about 12% below its pre-pandemic heights with slower resumption in the shale belt attributed to Wall Street pressure on producers to pay back debt and capital. Biden had singled out Chevron and Exxon Mobil with buybacks in his sights as well. FT.

### **South Africa**

#### **Eskom blames Treasury**

Following pre-municipal elections digs by the ANC at Eskom, as well as some hints of the same thereafter, De Ruyter gets into the nitty gritty of legal procurement procedures and the need for speedy emergency exemptions therefrom. One such request submitted on June 24 has not yet been answered. BD.

#### **Eskom: Gordhan hints at sabotage**

Gordhan says corrupt workers must leave Eskom and trade unions must cooperate in turning it around. He then suggest there may be a connection between" tweets coming from certain quarters and subsequent plant disruptions". BD. Maybe, if you can bring a big chunk of the entire economy

down for three or so days, stealing miles of Transnet cable or bringing down an Eskom plant every now and then is easy meat.

### **Barbara Creecy says Africa's concern was industrialisation, not just carbon**

In a news conference at Parliament, she said climate change had not been caused only by carbon discharge but by two centuries of industrialisation to which Africa had contributed only 1%. Although the promise of R131bn, largely in climate loans, was welcome it was therefore a very small first step. She said SA had attained its goals at the COP26 Glasgow conference which had achieved the right balance between urgency and just transition. The conference had united developing and developed countries in a programme which provided for transparency in its targets, was sustainable, based on science and a just transition.

### **Peter Bruce: at last, some localized competition for Patel's policies**

Bruce is re-inspired, if that were possible, by the arrival of a hard-hitting report by respected academics entitled "The Siren Song of Localisation: why localization policy will not lead to industrialization." Yesterday, the BD also carried an article by Ann Bernstein, head of the Centre for Development and Enterprise, which she also bases on the Siren Song report. It is becoming clear that this debate is not going to go away and is going to affect your pocket-one way or the other. Unlike many ANC policies, this one obviously has its supporters in business ("schmucks in suites who will soon have to explain why they did not meet their targets").

Back in the day, Sentrachem execs were among those who used to stroll down to the Department of Trade and Industry and apply for a lekker tariff on something they were going to make locally. After transition that led to the then Minister, Trevor Manuel, announcing "Protection on demand is dead." Bruce said that Patel is driving the policy hard, and localization could be one the few promises the ANC keeps.

So, let's hope Patel's response appears soon in the BD to satisfy us that localisation will work and is different from "protection on demand".

### **Coming Up**

- European stock futures are indicating little change heading into Thursday's session, with stocks in Asian sinking amid inflation jitters.
- U.S. contracts edged up. U.K. postal operator Royal Mail and German engineering and steel conglomerate ThyssenKrupp top the earnings calendar, while Chinese e-commerce giant Alibaba will deliver its results later in the European morning.
- Turkey's central bank will announce its latest policy decision amid pressure from the country's president that he wants even lower rates.

**The content is for general information purposes only**

Any information herein is not intended, nor does it constitute financial, tax, legal or investment advice.

The material is considered marketing communication and does not contain and should not be construed as containing guidance or recommendations, or an offer of solicitation for any transactions in financial instruments.

All rates quoted are the interbank rates at the time of publishing and are shown for indicative purposes only.

Important to note that rates will vary depending on the amount and product bought and sold.

<http://pmkgroup.co.za>