

23 November 2021

### **Outlook for the day**

The loss of traction in the US session, a slightly inconsistent tone and a lack of outright traction in early morning US futures trading action will lead to inconsistency and a touch of weakness on the JSE at the commencement of today's session. The slight inconsistency stems from the fact that the weaker Rand will partially cushion the impact of the loss of traction in the overnight session with corporate news set to also provide a supportive tone for Billiton. Near term metrics for key domestic indices remain much overbought.

- Powell's second term
- The ECB is serious about ending bond-buying
- The fight for control in oil markets and ,
- Countries are split over Covid.

Here's what's moving markets.

### **US stocks slip as Biden "signs off" on more hawkish stance from Fed**

The Nasdaq and S&P 500 declined amid a new sense of urgency from policymakers and politicians over inflation. The S&P 500 had risen on the announcement of Powell's renomination but eased to close 0.3% down as Powell's renomination is expected to result in a more hawkish tilt to Fed policy than if the other candidate, Lael Brainard, had been chosen. US Treasury Secretary, Janet Yellen, said Powell could be counted on to play an important role to make sure that inflation does not become endemic. FT.

### **Biden Will Tap Jerome Powell for New Term as Fed Chairman**

President Biden said he will nominate Federal Reserve Chairman Jerome Powell to a second term leading the central bank, opting for continuity in U.S. economic policy despite pushback from some Democrats who wanted someone tougher on bank regulations and climate change. Mr. Biden said he will also nominate Fed governor Lael Brainard as vice chair of the central bank's board of governors. Prominent liberals like Sen. Elizabeth Warren (D., Mass.) had warned the president against picking Mr. Powell, and progressive groups mounted a last-ditch campaign to pressure the president to tap Ms. Brainard for the top job.

### **Ensuring Consistency**

President Joe Biden preserved continuity at the Federal Reserve by selecting Jerome Powell for a second term as chair and elevating Lael Brainard to vice chair, sending Wall Street into the Thanksgiving holiday with one less worry. The moves are likely to ensure consistency at the central bank as the U.S. economy grapples with the continued fallout from the pandemic and rising inflation.

Bets on a quicker withdrawal of monetary stimulus pushed up Treasury yields and the dollar, and contributed to a final-hour selloff in tech shares that left U.S. stocks in the red.

### ECB Is Serious

The European Central Bank is “serious” about ending its emergency bond-buying program in March and may not need to expand regular asset purchases to cover the shortfall, according to Governing Council member Francois Villeroy de Galhau. Once the ECB has exited its emergency stimulus program it should gradually “adapt” its pre-crisis program “as a second step” and remain open in terms of pace and timing, he said.

### Fight for Control

President Joe Biden is said to be preparing to announce a release of oil from the nation’s Strategic Petroleum Reserve as soon as Tuesday. The move, likely in conjunction with India, Japan and South Korea, would be an unprecedented effort by major oil consumers to tame prices. OPEC+ officials warned they’re likely to respond to these plans, setting up a fight for control of the global energy market.

### Worse Than Anything

Chancellor Angela Merkel said the latest surge in Covid-19 infections is worse than anything Germany has experienced so far and called for tighter restrictions to help check the spread. Meanwhile, Slovakia is mulling the possibility of declaring a three-week full lockdown. Elsewhere, the U.S. said it would skirt lockdowns imposed in some European countries while China faces its toughest virus battle since the first days of the pandemic.

### OPEC+ warns of response to oil reserve release

Bloomberg reported OPEC+ officials warned they’re likely to respond to plans by oil consuming countries led by the US to release oil from their strategic stockpiles. President Biden is set to announce a plan to release reserves from the Strategic Petroleum Reserve on Tuesday in tandem with China, India, Japan and South Korea. Story noted the situation remains in flux and the plans could change but the US is considering a release of more than 35m barrels over time. OPEC+ delegates said the release is unjustified by current market conditions and the group may have to reconsider plans to add more oil production when they meet next week. They already rebuffed calls from Biden and others earlier this month to ramp up production schedules halted during the pandemic. International Energy Forum Secretary-General Joseph McMonigle said he expects OPEC+ to maintain their current plans for gradual increases, though external factors such as a reserves release or new lockdowns in Europe may prompt a reassessment of market conditions.

## South Africa

### Exchange rates

Latest Rates	Spot	Move
USD/ZAR	15.90	^
GBP/ZAR	21.12	^
EUR/ZAR	17.82	^
CHF/ZAR	17.03	^

### **ActionSA puts DA mayors in Johannesburg, and Ekurhuleni**

Herman Mashaba said ActionSA had campaigned on the basis of unseating the ANC and could not betray the voters despite the arrogance of the DA which it said now had to display maturity and relinquish its petty party political interests. So, Johannesburg gets its first woman mayor Dr Mpho Phalatse and Ekurhuleni gets Tania Campbell. Ironically, the DA has not been gifted with anything and is now in a minority government without the pre-agreement it had said all along was necessary. Mashaba said if the DA wanted stable government it would have to talk to the minority parties and the EFF who voted for it.

### **Know your metro maths**

South Africans cannot be expected to know the way the cookie has crumbled in every metro, or municipality for that matter. But, starting with Johannesburg for example, there are 270 councillors of whom the ANC has 91, the DA 71, ActionSA 44, EFF 29, PA 8, IFP 7, FFPlus 4, ACDP 3, Al Jama-ah 3, AIC 2 and 8 for the small parties (1 each for Cope, UDM, AHC, APC, Good, PAC, UIM, ATM).

So every time the DA mayor needs to win a vote, excluding the ANC and EFF, she would have to get 65 of the remaining 79. This might seem a little like having to herd cats but, who knows, maybe there will be a miraculous outbreak of reason and civic-mindedness! Netwerk24.

### **Nelson Mandela Bay's new ANC mayor Eugene Johnson beat DA's by one vote**

The DA and ANC have 48 each of the 119 councillors with the EFF and FFPlus around 7 and 2 respectively with the rest in smaller parties. Here the latter voted for more of the same old same old. ActionSA was mia there having restricted its participation to bigger metros. It remains to be seen whether there will be a catalyst to see to it that the city gets the stable, corruption free government it has lacked for years. News24.

### **Ethekwini elects ANC's Mxolisi Kaunda as mayor**

The meeting was lengthy and repeatedly disrupted and it remains to be seen whether this has achieved a basis for stability.

### **Coming Up**

- European futures are trading lower after the slide in Treasuries and as Covid's resurgence weighs on investors' minds.
- Oil also fell, but iron ore climbed on optimism that easing curbs for China's troubled property sector will boost demand.
- Meanwhile, manufacturing and services purchasing managers' index data from countries including Germany, the U.K. and the U.S. are due later in the day and several officials from the Bank of England and the ECB are also set to speak.

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