

Outlook for the day

The lacklustre tone in early morning US futures trading action coupled with clear evidence of weakness in numerous Asian indices will overwhelm the cushioning effect of the weaker Rand to create a drawdown at the commencement of today's session. From a structural perspective the area at 63,860 points on the JSE-TOPI represents the most significant short term support area on the domestic market. A break below this level on high volume would substantially increase the likelihood of a retreat in the sessions ahead down towards the area at around 61,800 to 62,100 points. Short term trading positions which have enjoyed brisk upside need to be managed with careful management of risk control and stop-loss levels. A slightly more circumspect approach is now appropriate.

- Markets alarmed by new virus variant
- Fishermen step up pressure in the English Channel and
- A potentially massive PE buyout. Here's what's moving markets.

Exchange rates

Latest Rates	Spot	Move
USD/ZAR	16.15	^
GBP/ZAR	21.20	^
EUR/ZAR	1812	^
CHF/ZAR	17.57	^

New Threat

There's a new coronavirus variant. B.1.1.529 has been identified in South Africa, and has scientists worried about a high number of mutations in its spike protein. Those spikes play a big role in how the virus enters the body and are also the feature targeted by vaccines. We don't yet know whether it's more infectious or deadly than other variants, but governments aren't taking any chances: The U.K. has banned flights from six countries in southern Africa. Still, the variant has already been found in travellers arriving in Hong Kong.

FOMC minutes in line with recent Fed speak

The November FOMC minutes leaned hawkish but were likely de-risked by recent Fed speak. The minutes noted that while Fed still believes the current elevated level of inflation largely reflects transitory factors, price pressures are likely to take longer to subside than previously estimated. Some participants favoured a more aggressive taper to put the Fed in a stronger position to raise rates. Several Fed officials, including some considered to be in the more dovish camp, have recently indicated some openness to consider a faster unwinding of QE. At the same time, the Fed reiterated that the start of the tapering process was not intended to send a direct signal about changes to the funds rate and stressed the need for patients given all the uncertainty around supply chains, production logistics, and the course of the virus. There was also some discussion about how labour participation may be structurally lower.

Eurotunnel Blockade

France's leading fishermen union said it will block access to and from three ports as well as the Eurotunnel today, to raise pressure on the U.K. over post-Brexit fishing licenses. The protest will start with a one-hour blockade of the Saint-Malo port in the morning, followed by similar actions around noon in Calais and early afternoon in Ouistreham. Fishing licenses are one of the thorniest issues in the two countries' post-Brexit relationship, which has been strained over issues from defence to migrant crossings and trade rules in Northern Ireland.

Pushing Back

Germany's departing leader Angela Merkel raised the prospect of new EU sanctions if tensions with Russia and Belarus don't subside. She cited the Russian military build-up near the Ukrainian border, the Kremlin's refusal to hold talks on peace in eastern Ukraine and Belarus's role in a migration crisis on the border with Poland. This follows warnings based on U.S. intelligence that Russia is preparing for a large-scale invasion of Ukraine at the start of the new year. A build-up of Russian forces near Ukraine's border has continued this week.

Big Buyout

Private equity giants KKR and CVC are considering teaming up on a bid for Telecom Italia, a move that would help share the financial burden for Europe's biggest-ever leveraged buyout, people with knowledge of the matter said. KKR offered to buy Telecom Italia last weekend, but the telecom behemoth's largest shareholder Vivendi described that offer as too low.

South Africa

A new variant

A new covid 19 variant has been detected, and found to be the variant behind the increase in cases in Gauteng. The variant has been detected in Botswana earlier this month, and in Hong Kong. It appears (in South Africa) to affect the younger population. As a result, South Africa has been put back on to the UK **red** list, with UK residents returning from South Africa and other identified nations having to quarantine upon arrival.

Coming Up

- European stocks are set for a significant drop after a sell-off in Asia that followed the news of the latest Covid variant discovered in South Africa, which was also found among quarantined travellers in Hong Kong.
- China's food delivery giant Meituan and online retailer Pinduoduo are the biggest reports, with few European or U.S. earnings to note.
- Black Friday kicks off the holiday shopping season amid threats ranging from supply chain disruptions to Amazon boycotts.
- And London commuters beware: Tube drivers are on strike today with the 24-hour walkout affecting five lines starting at 4:30 a.m.



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