

## Outlook for the day

JSE likely to edge lower

All share's potential retreat is in step with global markets that started year on positive footing

The JSE is likely to edge lower on Tuesday, taking a breather after the all share index hit the 75,000-point mark for the first-time last Wednesday.

The potential mild retreat in the whole share is in step with global markets that started the year on a positive footing, despite the overhang of Omicron variant that drove a surge in new cases in Australia and the US.

Uncertainty on the outlook for US inflation is another theme that is driving market psychology. US inflation has been running the Fed's 2% target for months, increasing chances of steeper increases in interest rates to curb price pressures.

The US consumer price index is expected to have accelerated to an annual rate of 7.1% in December, according to a Bloomberg median estimate, from 6.8% in November. Core inflation, which strips out volatile food and energy, is likely to have risen 5.4% year on year from 4.9%.

The US data is out on Wednesday.

- Djokovic debacle
- London Metal Exchange power outage,
- U.S. to vote on Nord Stream 2 pipeline sanctions,
- Pfizer's hybrid vaccine and
- Powell cautions of post-pandemic economy.

Here's what's moving markets.

## Exchange rates

Latest Rates	Spot	Move
USD/ZAR	15.64	^
GBP/ZAR	21.25	^
EUR/ZAR	17.73	^
CHF/ZAR	16.90	v

## Djokovic Debacle

Novak Djokovic may be able to stay in Australia and vie for a record 21st Grand Slam victory after a court quashed the cancellation of his visa and ordered his immediate release from detention in a hotel. A lawyer for the government said the immigration department may try to cancel his visa again. Djokovic said he would stay and try to compete. The Serb's legal win lays bare the unfair and callous nature of Australia's laws and may force a rethink of its offshore detention system, Ruth Pollard writes.

### **China applies brakes to Africa lending**

The FT reports that Chinese banks now make up about one fifth of all lending to Africa concentrated in a few strategic or resource rich countries including Angola, Djibouti, Ethiopia, Zambia, and Kenya. Following controversy over stringent terms such as, for example, that the Chinese could seize Uganda's Entebbe Airport if it defaulted on the \$200 million loan, the IMF listed 20 countries as being at risk of default. Xi Jinping said in November 2021 in a video speech in Senegal that it would cut the headline amount of money it lent by third to \$40 billion and would focus more on SMME's and green projects rather than infrastructure.

### **LME Outage**

The world's metals traders are dealing with a shutdown at the industry's most important exchange, where more than \$60 billion of contracts changes hands each day. A power outage at a third-party data centre has caused connectivity issues, according to the London Metal Exchange. That's cut off at least some traders from a venue that sets global prices for bellwether commodities from copper to aluminium.

### **Tough Sanctions**

The Senate is poised to vote this week on a bill to impose tough new sanctions on the Nord Stream 2 pipeline, as U.S. and Russian officials are in the early stages of discussions intended to ease tensions over Russia's troop build-up around Ukraine. There is broad congressional opposition to the gas pipeline from Russia to Germany, but some Democrats are balking at going forward.

### **Omicron Developments**

Pfizer is developing a hybrid vaccine that combines its original shot with a formulation that shields against the highly transmissible omicron variant, the drug giant's top executive said. Meanwhile, Airbus's CEO raised a note of caution on the plane maker's outlook for this year, citing the spread of omicron in China, its biggest market for aircraft deliveries. In Hong Kong, air passengers from so-called Group A, or designated high-risk countries, are set to be banned from transiting through Hong Kong International Airport, Bloomberg reported.

### **Post-Pandemic Economy**

Federal Reserve Chair Jerome Powell said the central bank will prevent higher inflation from becoming entrenched while cautioning that the post-pandemic economy might look different than the previous expansion. Meanwhile, the drumbeat for the Federal Reserve to implement four quarter-point interest-rate hikes this year is growing -- and with the pace that markets have been moving, there's a possibility that traders soon look to protect themselves against the risk of even faster tightening.

### **South Africa**

#### **Zondo: why prosecutions won't happen and the most important budget in the country**

Glynnis Breytenbach, who was a senior prosecutor in the NPA, was ousted after Zuma appointed Lawrence Mrebi as director of the Specialised Commercial Crime unit in 2011 so she knows how the

NPA should function. She points out that in Tito Mbonweni's March 2020 presentation to Parliament the NPA budget for 2021-22 was to have been R4.9bn but in March 2021 it was reduced by R459.8m to R4.446bn or 9.37% to provide relief for the needy following Covid-19. This budget was cut by R608.6m in 2022-23. She says "you simply cannot prosecute complicated commercial crimes with the smallest possible budget.

The fact that the government continues to cut the NPA budget shows that it is not serious about prosecuting." Netwerk24 goes on to quote an experienced former state advocate who says fear of failure and lack of self-confidence is the real reason why there have so far been no prosecutions following the work of the Zondo Commission. "I know what it is to stand in court against an opponent who you know is better than you. It is not easy. It takes at least 10 years to become a competent prosecutor and 20 years to become a specialist".

The fact that President Ramaphosa, a lawyer himself, know this suggests that he does not want the prosecutions to happen. If he did, the budget would be at least doubled on the basis that the NPA would then rake in much more than the extra R5bn in recovered loot never mind the resultant improvement in the economy.

So, a meaningful and extraordinary boost to this budget would counter the SCE (semi-criminal enterprise) slur flung at the ANC.

It would also be a needle moving event for South Africa.

### **State Plans to Deliver Corruption Justice**

Today's BD headline is in the noise category. Justice minister Ronald Lamola "speaking to Business Day, pleaded for South Africans to give the government a chance." "Other interventions touted by ...include the establishment of a crack team of investigator much like the Scorpions" disbanded as soon as Zuma came to office. The Zondo Report recommends much the same thing, and the ANC NEC took a decision to this effect some years ago. But when is it going to happen?

### **State of the Nation Address not necessary**

BD letter writer Mark Lowe hits the nail on the head this morning. "We all know what state the nation is in." In effect he is also saying we all know what needs to be done. "We just want to see him actually doing it."

### **Coming Up**

- While Asian stocks are fluctuating, European shares look set to surge when they open Tuesday after dip buyers rescued the Nasdaq 100 from a fifth straight loss.
- Today, Joachim Nagel officially takes over as Bundesbank chief, while the Senate Banking Committee will hold its confirmation hearing for Jerome Powell's second term as Fed chair.
- Kansas City and St. Louis Feb presidents will also be speaking as the U.S. awaits crucial inflation data tomorrow.
- There are earnings from About You, Games Workshop and in Asia, tech bellwether Yaskawa.

- The Future Minerals Forum kicks off in Saudi Arabia. And billionaire money manager and CIO of DoubleLine Capital Jeffrey Gundlach will give his outlook for 2021 in his annual “Just Markets” webcast.

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