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## **JSE starts week firmly as markets brace for US rate hikes**

US inflation data will be keenly watched as concern grows the Fed is behind the curve in tackling elevated price pressures

The JSE opened firmer on this morning, with its global peers mixed as investors brace for faster-than-anticipated US interest-rate hikes.

- Yield spike
- Goldman's Fed prediction,
- China omicron flare-up and
- oil steadies
- Mercedes sales report card

Here's what's moving markets.

### **Yield Spike**

Bond yields are soaring globally in line with Treasuries as investors preparing for the first Federal Reserve interest-rate hike since the pre-pandemic era set aside concern the outbreak will slow their already fragile economies. Australia's bond market -- a focal point during last year's global spike in yields -- is busy selling off even as a spiralling omicron outbreak pushes analysts to further trim forecasts that already see the nation as the third weakest developed economy this year.

### **Fed Prediction**

The Federal Reserve will likely raise interest rates four times this year and will start its balance sheet runoff process in July, if not earlier, according to Goldman Sachs. Rapid progress in the U.S. labour market and hawkish signals in minutes from the Dec. 14-15 Federal Open Market Committee suggest faster normalization, Goldman's Jan Hatzius said in a research note. In its December meeting minutes, Fed officials signalled they are preparing to move quicker than the last time they tightened monetary policy.

### **China Flare Up**

Omicron has flared in a port city that borders Beijing and spread inland before Chinese officials detected it, seeding the highly contagious variant on the doorstep of the nation's capital less than one month before the winter Olympics begin. There have been 21 new locally confirmed Covid cases in the city of Tianjin, after two omicron infections were found on Saturday, triggering closed schools, halted travel, and mass testing over the weekend.

### **Oil Steadies**

Oil steadied after recording the biggest weekly gain in a month as supplies returned in Libya and Kazakhstan, and investors tracked China's handling of its first community spread of omicron.

Brent crude was little changed after rising more than 5% last week to \$83 a barrel, the highest since late November. Libyan production rose to 900,000 barrels a day after maintenance was completed, while some output was restored in Kazakhstan following unrest that crimped supplies last week.

### **Mercedes-Benz Reports 2021 Sales of 329,574 Vehicles**

Mercedes-Benz USA (MBUSA) today reported Q4 2021 sales of 60,326 Mercedes-Benz models. Additionally, Mercedes-Benz Vans recorded Q4 sales of 15,705, bringing MBUSA to a grand total of 76,031 vehicles for the quarter, a decrease of -20.2% over the comparable period last year.

On a year-to-date basis, MBUSA recorded sales of 276,102 Mercedes-Benz passenger vehicles and 53,472 Vans.

This brings MBUSA's total year-to-date sales to 329,574 units, an increase of 1.1% versus 2020. "Results for 2021 demonstrated the incredible demand for the Mercedes-Benz brand in the U.S. and worldwide despite ongoing supply challenges," said Dimitris Psillakis, President and CEO of MBUSA.

"Together with our Mercedes-Benz dealer partners, we will advance our position with the electric EQS-sedan, all new SL, new C-Class, EQE, EQS SUV and EQB in 2022 and further accelerate our long-term ambitions for an electric future."

## **South Africa**

### **Exchange rates**

| Latest Rates | Spot  | Move |
|--------------|-------|------|
| USD/ZAR      | 15.60 | v    |
| GBP/ZAR      | 21.22 | v    |
| EUR/ZAR      | 17.70 | v    |
| CHF/ZAR      | 17.01 | v    |

## **10 Givens for SA politics in 2022**

### **Nothing much will change**

Politics and economics will continue to "improve" at a snails' pace, way below potential and need.

### **ANC power struggle will continue to intensify**

- The ANC power struggle set to intensify ahead of the December leadership conference.
- President Ramaphosa's reaction to the Zondo Commission findings will be vital for the rule of law and eliminating corruption.

### **President Ramaphosa will accept most recommendations**

The president will accept most recommendations, but successful prosecutions will be few and far between. His New Year commitment of the ANC to more genuine and aggressive implementation to

his reform agenda and fighting corruption raises no euphoria whatsoever: it will have to be seen to be believed.

### **The RET faction**

- The RET faction which proved its hold over the ANC by preventing promised prosecution for the July looting, will redouble attacks on the judiciary and constitution.
- The RET faction is well funded, may well have already started the New Year with tricks such as burning Parliament, the Ramaphosa speech blackout and hammering the Conco building.

### **There is lots more to come including renewed looting.**

Despite the emergence of leadership contenders such as Lindiwe Sisulu, the RET faction seems to have figured out that, with any other leader, the ANC % vote would fall even below the 46 % vote in the municipal elections.

So, it will allow President Ramaphosa's re-election but will gun for all the Top Six NEC posts thus rendering the President even more hamstrung than he is now.

### **The media will diligently report on analysing the inner entrails of the ANC struggle including noise and fake info.**

Corruption will continue on a vast scale and some of it will continue to be unearthed by SA's hardy investigative journalists.

### **Some municipal coalitions will succeed**

Some municipal coalitions will succeed beyond expectations raising the prospect of a different New Dawn for SA than that envisaged in the Ramaphoria era.

What's the point? Trying to be smart?

We believe that readers know most of this so would be more interested in high level snippets or comments on what might be moving the needle from an investors' point of view rather than the endless twists and turns which will occur.

### **Coming Up**

- There's euro area unemployment and
- U.S. wholesale inventories data due.
- The earnings slate is quiet.
- Technology stocks could be a focus again after the Nasdaq 100 continued to decline
- Friday, shedding 4.5% in its worst week since February 2021

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