

## Outlook for the day

### JSE could get boost from soothing Fed signals on Wednesday

Asian markets are convincingly higher, and Wall Street firmed overnight as investors welcomed testimony from Fed chair Jerome Powell

The JSE looks poised for a positive session on Wednesday morning, with global markets lifting in the wake of testimony from US Federal Reserve chair Jerome Powell before Congress on Tuesday.

### US economy is no longer in need of substantial stimulus- Powell

Powell has emphasised that the US economy is no longer in need of substantial stimulus, further playing down the expectation of rapid interest rate increase in early 2022, as the labour market in the world's largest economy recovers. The Fed, however, will act to rein in inflation, which poses a threat to jobs, he said.

The prospect of less accommodative monetary policy has weighed on global markets so far this year, with policymakers grappling with high inflation rates that are proving a little more persistent than expected.

"It was a masterful performance really, leaving the bowls neither too full nor too shallow; but just right from the financial market's perspective," senior market analyst Jeffrey Halley.

- Powell seeks to reassure lawmakers and investors
- France's economic recovery is on track
- Crypto investments are a threat, and,
- Johnson's moment of peril.

Here's what's moving markets.

### Monetary Policy widens the gulf between rich and poor economies

Emerging economies doing better this year will be the big surprise as this morning's FT echoes widespread expectations to the contrary. "The World Bank estimates that real incomes in 70% of developing and emerging economies will grow slower than advanced economies between 2021 and 2023". So, the two decades during which living standards in emerging economies caught up with their richer cousins have ended.

### Bouncing Back

Asian stocks looked set to follow a bounce in the U.S. after Powell's reassurance on inflation. Futures rose in Japan, Australia and Hong Kong after the S&P 500 halted a five-day slide and the Nasdaq 100 outperformed. Strategists from Goldman Sachs to UBS Global Wealth Management seem unperturbed by equities' rocky start to 2022, reiterating their bullish calls on bets that equities can weather higher rates and rising bond yields.

## Reassurance

Federal Reserve Chair Jerome Powell sought to reassure lawmakers and investors on Tuesday that the central bank can pull off the tricky task of bringing down four-decade high inflation without damaging the U.S. economy. The S&P 500 halted a five-day slide, the Nasdaq 100 outperformed major benchmarks and the dollar fell. Euro Stoxx 50 futures are rising this morning.

## Almost Immune

France registered a new record number of daily Covid-19 infections, as the omicron variant continued its fast-paced spread across the country. Still, the euro area's second-largest economic recovery is proving almost immune to disruption from the wave of infections and is set to get extra support as supply constraints start to ease. That's a source of reassurance for policy makers who have said European economies will be increasingly resilient to problems on the public health front.

## Biggest Threat

Investments tied to cryptocurrencies and digital assets are by far the biggest threats facing individual investors in 2022, according to an annual survey of securities regulators by the North American Securities Administrators Association. Separately, Kim Kardashian and Floyd Mayweather Jr. were sued for allegedly scamming investors in a cryptocurrency called EthereumMax.

## Worst Possible Time

Conservative MPs are watching Boris Johnson stonewall over allegations of pandemic rule-breaking parties at his office with horror -- and a degree of gallows humour. Opposition politicians have called for the U.K. leader's resignation over the latest claims, but it is the reaction of his own Tories that will be of most concern to the prime minister — one Conservative MP described the mood as sulphurous, while another predicted the end of the road for Johnson. It's a significant moment of peril at the worst possible time for Johnson, who had hoped to begin 2022 with a reset.

## Exchange rates

Latest Rates	Spot	Move
USD/ZAR	15.50	v
GBP/ZAR	21.12	v
EUR/ZAR	17.60	v
CHF/ZAR	16.81	v

## South Africa

### Busa looks to bolster prosecuting bodies

CEO Cas Coovadia says, "We will look at some initiatives already under way to bolster the capacity of the NPA." Apparently, this could include providing private prosecutors. Coovadia says the Zondo Report recommendation must be acted upon with urgency "and we expect the criminal justice system to allocate the necessary resources to ensure speedy investigations and prosecution".

### **Hoffman SA reiterates need for speedy action on special anti-corruption agency**

The cabinet and all parliamentary caucuses should support the swift creation of the new chapter 9 institution, or Anti-Corruption Agency, as the Zondo commission has dubbed it. A suitably unified effort will take months not years.

The drafts exist already

### **JSE to get a few new listings in 2022.**

Chris Gilmour reminds us that there were 616 companies listed on the JSE and in December 2021, only 324. Although more delisting's are likely such as Long4Life, Distell, OneLogix and, possibly Royal Bafokeng, he says there a few rays of light. Coca Cola Beverages Africa is anticipated with a market cap of around R120bn as well as Telkom's mast and towers business Swiftnet. Others include Premier Foods from Brait and the "good" African Bank. Developed markets have also seen declines with the number of listed securities in the US halving in the past 25 years while the tally on the LSE declined by 32%.

### **Coming Up**

- U.S. CPI data due today is expected to show prices rose 7% in December, the most since 1982.
- Sainsbury, Ferrexpo, JD Sports, Just Eat Takeaway and TeamViewer are just some of the firms in Europe giving sales updates.
- The EIA's weekly crude oil inventory report and the USDA World Agricultural Supply and Demand Estimates round out the day's highlights.

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