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Outlook for the day

The improved overnight traction in US futures markets, an upbeat reaction to the rate cuts out of China, brisk support for global commodity prices and short-term technical considerations will allow for further upside from the JSE at the commencement of today's session. Given the meaningful technical weakness witnessed on key US indices the JSE continues to exhibit robust relative outperformance. Technical metrics on medium term weekly charts for the JSE-ALSH, JSE-TOPI and JSE-RESI are currently much overbought but for the moment there is no erosion in short term indicators as the Bulls remain in control.

Caution would hint that current strength could be used as a profit taking opportunity.

- Fuel prices impact inflation
- Unilever won't raise bid for Glaxo unit
- Biden thinks Russia will move in on Ukraine,
- Yellen says omicron won't derail recovery and France cases extend surge
- Measures are tightened in Asia
- Bank of America profits rise

Here's what's moving markets.

South Africa

Fuel prices up 40%, powering spike in inflation

Reserve Bank under more pressure to hike rates as CPI rises at fastest pace in five years. Consumers and businesses face another interest rate increase as soon as next week after inflation exceeded economists' forecasts to log its biggest annual increase in five years. Inflation as measured by Stats SA's consumer price index (CPI) hit 5.9% year on year in December, its biggest annual increase since March 2017 when the rate was 6.1%.

Coalitions: Joburg City council meeting ends in chaos again

It is too early to say all coalitions will be chaotic, but these meetings were not about delivery. With former ANC mayor Mpho Moerane saying the DA was not in control of their coalition and the ANC demanding a secret ballot it seems somebody may have "spoken" to minor party members to "persuade" them to switch their support away from the DA-led coalition. ANC and African Independent Congress parties stormed the council floor on Tuesday afternoon raising clenched fists and singing struggle songs. No prizes will be given to readers for pointing to the similarity between these tactics and those which toppled the DA-led coalition after three days of disruption in the Ethekweni council premises. BD.

Bruce dissects ANC bamboozlement and lies

If you listened to President Ramaphosa on 8 January reading the NEC annual statement you might have hoped that two of the five "priorities" would herald ANC renewal. They were "to build a social

compact to decisively address unemployment and poverty” and the “residential district renewal development model.” Bruce says Ramaphosa got the compact in 2019 but turned his back on business when Covid-19 arrived and then details the fiasco in two of the three pilot development districts that Nkosazana Dlamini Zuma said a year ago were doing brilliantly.BD.

Exchange rates

Latest Rates	Spot	Move
USD/ZAR	15.34	v
GBP/ZAR	20.90	v
EUR/ZAR	17.40	v
CHF/ZAR	16.70	v

In early trade, the rand was 0.22% firmer at R15.295/\$, extending a 1% gain in the prior session. The dollar index extended losses for a second session, underpinning gold as a weaker greenback makes the metal less expensive for holders of other currencies, while benchmark 10-year treasury yields edged higher, raising the opportunity cost of holding bullion.

Biden predicts Russia will “move in” on Ukraine

Despite the imminent talks and thaw we noted yesterday, Joe Biden said yesterday Russia would “move in” and said an invasion would be a disaster for Vladimir Putin and Russia would “pay a stiff price, short term, medium term and long term.” It seems the US really expects the Russians will attack with the only question being are they going to take a little slice of territory in the East or march on Kiev. So, Biden is desperately trying to cobble together a powerful coherent Western response.

Bank of America's Quarterly Profit Rises 28%

Bank of America Corp. profit rose 28% in the fourth quarter, boosted by record investment-banking revenue and recovering appetite for borrowing from businesses and consumers. The second-largest U.S. bank earned \$7.01 billion, up from \$5.47 billion a year earlier. Per-share earnings of 82 cents topped the 77 cents that analysts polled by FactSet had expected. Higher interest income and record investment banking revenue pushed Bank of America to higher earnings. The bank also reported an earnings slowdown a year ago, making this year's comparisons easier. Outstanding loans and leases totalled \$979.12 billion in the fourth quarter, up 6% from both the third quarter and a year earlier. Other large banks saw their profits decline in the fourth quarter. Some of the business lines that powered banks over the past two years, like frenetic trading and a lucrative mortgage market, began to return to normal levels.

Killing Prospects

Unilever said it won't raise its 50 billion-pound (\$68 billion) offer for GlaxoSmithKline's consumer products division, killing prospects for a deal after the U.K. drug maker rejected its approaches. The decision to walk away comes after a plunge in Unilever's share price as investors questioned the rationale for a transaction that would have added brands such as Advil painkiller and Sensodyne toothpaste to its range of food, personal-care, and cleaning labels.

Allies Divided

President Joe Biden said he thinks Vladimir Putin doesn't want a full-blown war but will "move in" on Ukraine after amassing 100,000 troops on its border, part of an extraordinarily blunt assessment of Russian intentions and the West's likely response.

While the president said the U.S. and its European allies are united on making sure Russia faces "severe economic consequences," Biden acknowledged what his top aides have so far said only in private: that NATO allies are divided about what to do if Russia acts against Ukraine that falls short of an invasion.

No Derailment

Treasury Secretary Janet Yellen said she is confident the omicron variant of the coronavirus won't derail the U.S. economic recovery. Yellen credited high vaccination rates in the U.S. and emergency spending by cities and states made possible by the Biden administration's American Rescue Plan for preventing a more serious impact from the variant.

Separately, Biden said it's the Federal Reserve's job to rein in the fastest pace of inflation in decades and supported the central bank's plans to scale back monetary stimulus.

Pandemic Effects

France's daily Covid infections topped 430,000 for the second day in a row, leading the government to extend a remote work mandate to contain the spread of the virus in the country.

Elsewhere, Hong Kong plans to halt in-person secondary school classes starting on Monday as it works to contain twin Covid outbreaks caused by the omicron and delta variants as China ramps up its testing regime after linking at least two omicron cases at opposite ends of the country to international parcels.

Coming Up

- European stocks are set to gain today after a rally in Asia equities and U.S. futures following a pause in the bond selloff and easing signals from China.
- All eyes will be on subscriber numbers when Netflix reports earnings, with the stock struggling so far this year.
- In the U.K., AB Foods and Deliveroo give sales updates
- Superdry has an earnings update.
- There are rate decisions from around the globe with central banks in Indonesia, Malaysia, Norway, Turkey, Ukraine, and Hungary among those making decisions.
- The Eurozone reports inflation data.
- The U.S. gives initial jobless claims and home sales, along with the weekly EIA crude oil inventory report.



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