

## Outlook for the day

### JSE faces weaker Asian markets on Monday as rand holds near R15/\$

The local currency has benefited from expectations the Reserve Bank will raise rates this week. The JSE faces mostly weaker Asian markets on Monday morning and could be in store for a turbulent week with both the US Federal Reserve and Reserve Bank set to announce policy decisions in coming days.

US markets suffered their worst losses since the onset of the pandemic last week, hit by some disappointing earnings reports and expectations interest rates will be rising as soon as March. Consumer inflation in SA accelerated to 5.9% in December, data showed last week, a five-year high, and approaching the top of the Reserve Bank's 3%-6% target band.

- The U.S. orders family members at its Kyiv embassy to leave
- Boris Johnson's most critical week
- The Federal Reserve's meeting
- Cryptocurrencies' selloff eases.

### Rand hits 10-week high ahead of Bank's rate move

The rand firmed to a more than 10-week high on bets that the Reserve Bank will yet again raise interest rates at its next monetary policy committee (MPC) meeting.

The MPC is widely expected by the markets to hike the repo rate this week, and the SARB tends to follow the expectations of the forward rate agreement (FRA) curve which has fully factored in a 25-basis point hike now.

### Exchange rates

Latest Rates	Spot	Move
USD/ZAR	15.10	v
GBP/ZAR	20.40	v
EUR/ZAR	17.10	v
CHF/ZAR	16.50	v

Markets have also been pricing in a rate increase in SA in January that has helped support the rand, which was little changed at R15.07/\$ on Monday morning, but having strengthened more than 5% so far this year.

Here's what's moving markets.

### Continued Threat

The U.S. ordered family members at its embassy in Kyiv to leave "due to the continued threat of Russian military action," signalling a further turn of the screw in the standoff over Ukraine. While the U.S. renewed warnings that Russia could send forces into Ukraine at any time, the New York Times reported that President Joe Biden is considering deploying troops to eastern Europe and the Baltics.

The tension follows U.S.-Russian talks last week that failed to open a conclusive path to ending the standoff.

### **Most Critical Week**

U.K. Prime Minister Boris Johnson faces the most critical week of his premiership, as he braces for the outcome of an investigation that could lead to his own colleagues ousting him. Allegations are also mounting over the conduct of his government whips -- the Conservative Party lawmakers responsible for maintaining party discipline -- with member of Parliament Nusrat Ghani claiming on Sunday that she was fired as a minister in 2020 partly because of her Muslim faith.

### **Fed in Focus**

Federal Reserve policy makers are expected this week to signal their first interest-rate hike since 2018, paving the way for a March move as the U.S. central bank tries to extinguish red-hot inflation. Goldman Sachs economists said they see a risk the Fed will tighten monetary policy more aggressively this year than the Wall Street bank now anticipates. Still, U.S. stocks have historically performed well during periods when the Fed raised rates, as a growing economy tends to support corporate profit growth and the stock market

### **Cryptos Calm**

The selling pressure in the global crypto market eased Monday after massive declines across digital tokens last week. Hawkish monetary policy signals from the Federal Reserve as well as fresh regulatory hints by the White House and the threat of an outright mining and trading ban in Russia have whipsawed digital coins. Declines in Ether -- the second-largest token -- and in newer coins have outpaced Bitcoin's fall of late.

### **World Bank approves \$750m Covid-19 loan for SA**

The funds will be used to boost SA's response to the pandemic and follows similar loans from multilateral lenders in 2020.

The World Bank on Friday approved SA's request for a \$750m (R11.43bn) low-interest loan aimed at supporting an economic recovery from Covid-19.

The funds will be used to accelerate the country's Covid-19 response aimed at protecting the poor and vulnerable from the adverse socioeconomic impacts of the pandemic, the Treasury said in a statement. Since the start of the pandemic the World Bank has shelled out \$157bn in Covid-19 funding, the fastest and largest crisis response in its history

The Covid-19 pandemic prompted SA's worst recession since World War 2, particularly hitting labour-intensive parts of the economy such as tourism and the restaurant industry.

### Coming Up

- European stocks are poised to join the selloff in Asia ahead of the Fed meeting which begins tomorrow.
- Before that, IBM is the highlight of the earnings in the U.S. today along with Halliburton, while in Europe Philips reports annual results.
- Italian lawmakers begin voting for president.
- There's PMI data for the Eurozone, France, Germany, and the U.K. China Evergrande faces coupon payment deadlines totalling \$352.5 million today, with shares rising amid signs of restructuring progress.
- European Commission Vice President Maros Sefcovic and U.K. Foreign Secretary Liz Truss meet for Brexit talks, but all eyes in the U.K. this week will be on the Prime Minister, as he battles to save his position.

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