

Exchange rate

The rand was rocked on Friday, as the mighty US dollar received a boost thanks to better-than-expected job numbers.

At 3pm, the local unit was trading at 15.4800 against the greenback, approximately 1.3 % weaker than its previous close (Ouch).

With the US economy creating far more jobs (467k vs. 150k expected) in January, the dollar was on the front foot against a basket of currencies, which also increases the probability of a large Interest rate hike by the US Fed in March.

Going into the first trading session of the week, it appears that market momentum is still on the dollars side, with many EM currencies battling for traction this morning.

However, there are signs market sentiment is slowly stabilizing with the VIX falling and UST yields showing signs of consolidation after Friday's dollar surge.

This week Investors will be focusing on local and global data releases including December production and manufacturing figures (Thursday), the State of The Nation address by President Cyril Ramaphosa on the 10th of February & US inflation for January (Thursday).

| Latest Rates | Spot | Move |
|--------------|-------|------|
| USD/ZAR | 15.77 | ^ |
| GBP/ZAR | 20.90 | ^ |
| EUR/ZAR | 17.70 | ^ |
| CHF/ZAR | 16.75 | ^ |

Today's highlights

- Wall Street in the green
- Crypto markets higher
- UK markets seen flat

US markets recover lost ground as tech firms swing

The three major US indices all recovered small amounts of lost ground last week as mixed results among tech firms pushed stocks higher. Among the top risers were Norton LifeLock, up 8.71%, and Take-Two Interactive Software rising 7.35%. At the bottom on Friday was Clorox which fell 14.47%, Ford, down 9.7%, and Newell Brands, off by 8.53%. Clorox's share price sank on the back of rising costs in its results.

Cryptos in the green

The crypto markets were higher this morning, with the majority of top 10 cryptos registering gains over the past 24 hours. Bitcoin was up more than 2% at time of writing, trading above \$42,000. Ethereum also climbed around 2%, while Cardano and Solana registered gains of 3% and 4%, respectively. XRP jumped around 11%, and outside the top 10, Shiba Inu was up over 23%.

Corporate Corruption in South Africa demands global action in response

“Pretoria Boy” Peter Hain’s opinion piece in this morning’s FT is reminiscent of his tirades against the apartheid government back in the day. “The prodigious looting and money laundering would not have been possible without the connivance of Bain & Co, KPMG, McKinsey, SAP and the banks HSBC, Standard Chartered and Baroda.” He also believes the law firm Hogan Lovell is complicit. “Without cross border co-operation no country will be emancipated from financial crime estimated by the UN Office on Drugs and crime to be worth up 5% of global GDP or \$2 tn each year”. The FT shows a cheerful Zuma and Atul Gupta having breakfast together.

Russian invasion of Ukraine could be any day now

White House National Security Adviser Jake Sullivan flagged potential for an imminent Russian invasion of Ukraine, saying it could be any day now or a couple of weeks (CNBC). US officials said Russia has ~70% of combat power in place for full-scale invasion of Ukraine (CNBC). Noted peak freeze conditions expected around 15-Feb and continuing until end of March would allow for off-road transit by mechanized Russian military units. Possible attacks could range from annexing Donbass region, cyberattacks or a full-scale invasion. Officials said invasion could see Kyiv fall within a couple of days and inflict major casualties, as well create millions of refugees. Congress mulling sanctions in the event of invasion with Democratic Senator Cardin saying they would target Russia's economy, Putin, and financing of his activities, as well individuals who use international banking system to finance his agenda (Fox News).

January payrolls post big beat after Street flagged downside risk

January headline payrolls growth of 467K well ahead of consensus for a 155K gain. Last month's 199K revised to 510K, November to 647K from 249K. Private payrolls of 444K well ahead of consensus 215K. Biggest gains in areas including hospitality, retail, and transportation and warehousing. Unemployment rate up 0.1pp to 4.0%, above consensus 3.9%. Average hourly earnings of 0.7% above 0.5% consensus. Annualized up to 5.7% from last month's upwardly revised 5.0% (was 4.7%), above 5.2% consensus. Weekly hours down 0.2 to 34.5, with early reads noting Omicron impact. Participation rate up 0.3pp to 61.9%, a fresh post-pandemic high though still below the Feb-20 level of 63.4%. Strong print a surprise given broad outlook for downside risk as reference week was during peak Omicron.

Markets pricing in tighter policy path, though 50 bp hike in March still unlikely

Following January payrolls, bonds sold off sharply across the curve. Selloff pushed 2Y yields to highest since Feb-20 and 10Y to highest since Dec-19, while 30Y real yields also rose above 0% for first time since June following the report (Bloomberg). According to CME FedWatch tool, market now pricing in ~19% chance of a 50bp Fed rate hike in March from ~14% on Thursday, though down from ~27% immediately following the report. Reuters the latest to cast doubt on 50 bp hike in March in recent

days, citing recent comments from Fed officials Bullard, Harker, and Bostic. Full-year rate path also tighter following report, with market now seeing 31% chance of six hikes this year and 14% for seven, up from yesterday's 24% and 8%, respectively. Early Street reads following report flagged risk that tight labour market and wage gains may fuel inflation narrative. Fed officials have already said labour market at maximum employment, suggesting reaction function totally dependent on inflation. However, some cross-asset strategists have suggested dollar could strengthen as real yields rise, offsetting some of the pressure.

Even outside the Fed, other global central banks get more hawkish

Even outside of the Fed, global monetary policy shift dominated the macro narrative again this week. Some of the week's developments out of Europe were much more hawkish than expected. Bulk of the scrutiny was on the ECB, where Lagarde flagged unanimous concern on the Governing Council about inflation data. Added inflation risk tilted to the upside and refused to rule out tightening this year.

There were reports a sizable majority of the Governing Council wanted to act at Thursday's meeting before agreeing to hold off until March. Street now sees ECB hiking as soon as September with two rate hikes this year, bringing deposit rate back to zero for first time since 2014. BoE raised rates by 25 bp to 0.5% as expected, marking first back-to-back tightening moves since 2004. However, vote was 5-4 with the dissenters pushing for a more aggressive 50 bp rate hike.

Continued caning for JSC process

An example of the widespread condemnation in the media was News 24's Adriaan Basson's comment "The denigration of (Judge Dunstan) Mlambo by Mpofo, cheered on by Malema, will go down in history as one of the lowest moments of our democratic dispensation." "In previous years, the Advocates for Transformation which Mpofo represented, was led by legal heavyweights like Ismail Semanya, Dumisa Nsebenza and Patric Mtshaulana." "When Malema tells the JSC that.

Karryn Maughan, News24's legal specialist ... should take her medicine and stop displaying "white tendencies" he confirmed that he is racist and misogynist."

Time for another fire?

Well, they beat us to it! Just a stone's throw away the major fire in Parliament, arsonist attempted to set the St. George's Cathedral alight in the early hours of Sunday morning. We had intended to ask whether, after the other fires at Komani (Queenstown's iconic C19 town hall), SAAF Waterkloof air base and the hammering at the Concourt, the saboteurs would strike again. No doubt there will be more to come. After all, what do rats do when cornered? Apparently, however the recent spate of Eskom power station outages, although "surprises" were due to faulty design. News24.

"Police, investigating and prosecuting authorities deliberately starved of funding, political support and resources."

Wits Professor William Gumede says because cadres from both factions of the ANC have been identified as corrupt and both factions will need their support at the elective conference "an ANC leader calling for the investigation, prosecution and expulsion or the corrupt is unlikely to be elected". Gumede says the country cannot wait until the ANC is defeated in 2024a so civil society should institute private prosecutions in the meantime. Apart from the expense, however this will not be as easy as it sounds. Sunday Times.

Batohi damns herself with faint praise

In a Sunday Times article the NPA head Shamila Batohi assures us she is aware of the frustrations of the public and promises again to end the criminals' "reign of destruction." She says 21 special prosecutors have been hired and are focused on key aspects of the Zondo findings and that the ID has 40 cases from the Zondo Commission 15 of which have been enrolled at the courts. (Hermione Cronje will remain part of the team until the end of March to help with this). As "a few" of the NPA's "successes" she lifts 9 instances where prosecutions have been commenced or restraint orders granted but not one successful prosecution.

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