

### Outlook for the day

Despite a slightly improved tonality in the Asian Pacific region and marginal traction in early morning US futures trading the JSE is likely to enjoy marginal advances at most at the outset of today's session. Despite the slightly lacklustre commencement we anticipate an assessment of very short-term metrics telegraphs the fact that the JSE should enjoy short term technical support from current levels in the next session or two as stochastic metrics, short term kurtosis data and very short-term rate of change data currently hold at levels which are a touch oversold. Any improved tonality needs to be contextualised against the fact that the weekly chart for the JSE ALSH and JSE TOPI remains overbought indicating that the pop to the upside is likely to prove short lived with the JSE ultimately set to test the level at around 69,800 to 70,200 points in the weeks ahead.

Stocks and bonds face another choppy session in Asia, with oil prices climbing further in the wake of a U.S. and U.K. ban on Russian supplies. Equity futures were mixed, rising for Japan but steady for Australia and Hong Kong.

Volatility was again the dominant theme in the U.S. as the S&P 500 lurched lower at the close after earlier rising almost 2%.

- The U.S. bans Russian fossil fuel imports
- Attack on Kyiv intensifies
- American fast-food chains exit Russia,
- Apple's prolific year.

Here's what markets are watching.

### Exchange rate

Latest Rates	Spot	Move
USD/ZAR	15.24	v
GBP/ZAR	20.00	v
EUR/ZAR	16.63	v
CHF/ZAR	16.30	v

Sourced from IRESS - 2022/03/09 09:05:49

### Enel Is Ready to Resume LNG Terminal Project as Italy Aims to Cut Ties with Russian Gas

Enel SpA said it is ready to resume a liquefied-natural-gas terminal project in southern Italy as the country seeks to reduce its reliance on gas imports from Russia. "Enel believes that, in order to be less tied to gas pipelines in Italy, it is useful for the country to have two additional LNG terminals," a spokesperson for the Rome-based energy company said Tuesday, adding that it is available to resume the Porto Empedocle LNG plant project, which is fully permitted.

### **Russians exposed to guerrilla attacks in Ukraine**

NATO officials estimate that Russia would require at least 600000 troops to effectively subdue the country. Russian conscripts with their AK- 47 Kalashnikovs may be no match for partisans armed with long range hunting rifles with telescopic sights. As their columns bypass besieged cities, they are likely to have to maintain their hold on these routes and minor towns along the way. Even in cities they have “captured” they occupy only a few buildings and citizens continue to protest in the streets. FT. Russian Foreign Minister Lavrov said on Tuesday that, if only the Ukrainians would agree on three issues the fighting would stop immediately: a no-NATO neutral Ukraine, recognition of the annexation of Crimea and independence for the two entities in the eastern Donbass region. After the enormous sacrifices already made by the Ukrainians and the emotive standing ovation given Zelensky by parliamentarians in Britain, this is not likely to happen soon. The West and Ukraine are hoping for sanctions and the military standoff to collapse the Russian economy forcing Putin to step down. In the event, however, of a protracted no win struggle for both parties something along Lavrov’s line might have to be agreed. Use of referenda could be a face-saving way out. Polls in the Ukraine have over many years shown those in favour of NATO membership to have hovered in a minority of around a third of the total.

### **US looks to secure additional crude supply elsewhere following ban on Russian energy imports**

With President Biden banning Russian crude imports, efforts focused on increase supply elsewhere. However, there are doubts about its ability to secure additional production from other countries. Reuters reported weekend talks between American officials and Venezuela centered on returning Venezuelan oil to the international market while US demanded direct shipments of oil in return for any easing of sanctions. Talks did not yield much progress though sides agreed to continue negotiations. Meanwhile, Saudi and UAE leaders reportedly declined request by White House for a call with President Biden (WSJ). Saudis and Emiratis signalled they would not assist in easing oil prices unless US provided support in Yemen. Both governments concerned about revival of Iran nuclear program as well. OPEC also in no hurry to boost output further US oil executives warn not to expect new supplies immediately.

### **US rejects Polish offer to supply it with MiG-29 fighter jets for use in Ukraine**

Biden administration rejected surprise offer by Poland to supply its MiG-29 fighter jets to Ramstein Air Base in Germany and put them at disposal of US (Reuters). Pentagon argued doing prospect of flying combat aircraft from NATO territory into Ukraine raised serious concerns for the alliance. US said it was considering backfilling Polish MiG-29 jets with American-made F-16 fighter jets if Warsaw agreed to send its jets to Ukraine. However, Poland was reticent amid concerns of being ensnared in the conflict. Comes as Russia intensifies its bombardment of Ukrainian cities as its main advance is stymied by Ukrainian resistance, raising spectre of a prolonged conflict. Negotiations between Ukraine and Russian officials continue with their respective foreign ministers to meet in Turkey on Thursday. Biden said the U.S. will ban imports of Russian fossil fuels including oil, in a major

escalation of Western efforts to hobble Russia's economy that will further strain global crude markets. The U.S. move will be matched in part by the U.K., which announced a ban on Russian oil imports, though it will continue to allow natural gas and coal from the country.

Meanwhile, Russian forces intensified their bombardment of Kyiv; China is considering buying stakes in Russian energy and commodities companies; and Coca-Cola, McDonald's and Starbucks became the latest global companies to suspend operations in Russia.

### **Sectors mostly lower, though energy a big gainer**

Market saw very choppy trading Tuesday with breadth somewhat positive. FANMAG complex was mostly lower with FB-US faring best. Industrial metals were mostly lower, with steel group particularly weak. Rails declined. Food products, HPCs down overall after a mixed performance Monday. Software generally down. MedTech was a weak spot in healthcare. Exchanges were down in financials. Select A&D stocks pared recent gains. On the upside, energy rallied on another strong day for crude, with oil services doing best. Retailers put in a strong performance after yesterday's slide. Restaurants, cruise lines, hotels, airlines, casinos recovered as well. Machinery, multis among the better names in industrials. Solars put in another strong day against the oil-price backdrop. Banks and life insurers were higher. Auto suppliers, semis, tech hardware, precious metals, biotech, building products among the other areas higher overall.

### **Recycled Ukraine headline generates big (but short-lived) midday bounce**

Market performance has been very choppy of late, with headline volatility against an unclear backdrop a key factor. Today's midday rally chalked up to news Ukraine may no longer be pursuing NATO membership (a major Russian concern), but Zelensky had already said this yesterday. Headline effect likely was exacerbated by oversold conditions, depressed positioning and sentiment indicators and short gamma dynamics. Roughly 50% of NYSE stocks down 20% or more while nearly 50% of Nasdaq stocks down 50% or more (The Market Ear). JPMorgan noted equity long/short de-grossing last week was about a 3z event and one of the largest of past two years. But at the same time, market remains gripped with concerns about recent commodity surge as a major constraint upon growth. Crude alone is up nearly 7% this week after a 26% surge last week, with a lot of attention on other industrial metals and grains (see Reuters).

### **Financial stability risks ratchet up, LME suspends nickel trading amid short squeeze and margin calls**

More concerns about risks of a liquidity crisis from the violent surge in several commodities and the sanctions-driven removal of Russian assets/liquidity from the global financial system. This has been a theme in recent notes from Zoltan Pozsar, the global head of short-term interest rate strategy at Credit Suisse, who has pointed out that "every crisis occurs at the intersection of funding and collateral markets.". In his latest note, he compared Russian commodities today to subprime in 2008, adding that non-Russian commodities are like US Treasuries back in 2008. Highlighted a collapse in prices on one side, a surge in the other and margin calls on both (Reuters). Nomura's

Charlie McElligott has also touched on this dynamic, noting yesterday that stuff is starting to break (Zero Hedge). Big development on Tuesday has been LME's move to suspend nickel trading for the day after it surged as much as 250% in two days and triggered margin calls (Bloomberg).

### **Food Crisis**

Russia's invasion of Ukraine means the food inflation that's been plaguing global consumers is now tipping into a full-blown crisis, potentially outstripping even the pandemic's blow, and pushing millions more into hunger. Together, Russia and Ukraine account for a whopping portion of the world's agricultural supplies, exporting so much wheat, corn, sunflower oil, and other food that it adds up to more than a tenth of all calories traded globally. Now, shipments from both countries have virtually dried up, and the shock is already reverberating across the world.

McDonald's, Coca-Cola, and Starbucks are temporarily halting operations in Russia amid an intensifying backlash since the invasion of Ukraine started nearly two weeks ago. The iconic U.S. brands join hundreds of other global companies that have halted work in Russia since the war began.

### **South Africa**

#### **Spectrum auction: after 10 years, it's happening!**

Rain spent R1.15bn and Telkom R1.5bn. Together with Cell C and Liquid Telecom, they were the only eligible participants during this round leaving Vodacom and MTN for the "main stage" bidding set for Thursday on an online platform. There will be multiple bidding rounds ending when no more bids are submitted followed by an administrative process to determine the allocation of the spectrum won by the bidders. BD.

So far so good although citizens will no doubt be treated to lots of post-mortems and comments after the event.

In due course we all need to become familiar with how it works.

#### **Froneman punches through pusillanimity ceiling -again**

Ever since Mbeki tore into the then SASOL CEO in the early noughties for daring to list unpredictable politics as one of the risks that he had to list in a US SEC filing, South African CEO's have been ever so polite to politicians. While the list of government shortcomings offers plenty of choice it is almost beyond belief that, since the Junior Mining Indaba in June, when the DG promised to really clear the 10-year backlog in mining exploration permit applications, it is still there. Much of what Froneman said in a post-results interview he has said before so, just a few choice jibes: "South Africa is practically a failed state. It starts with poverty and inequality... This is lack of leadership.

This is a lack of people at the highest levels taking proper action against lawlessness against crime and it filters all the way down. It won't change while you have ideologies of communism, socialism and until you have an investor friendly climate, and you don't talk about expropriation without compensation ... It can't even fix its ... admin systems to sign off mining licences. It's a pathetic situation." DM.

### Coming Up

- European stocks are set to rise despite mixed results among Asian gauges and wavering U.S. futures.
- Focus today will be on the weekly EIA crude oil inventory report as prices extend gains after the U.S. ban on the import of Russian crude.
- The March USDA World Agricultural Supply and Demand Estimates (WASDE) report will also bear closer attention, with crop prices worldwide seeing massive volatility.
- South Korean voters are going to the polls to elect a new president in a neck-and-neck election.
- Adidas, Deutsche Post and Prudential report earnings.

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