

### Outlook for today

The jaded performance in overnight US trade coupled with inconsistency in the Asian Pacific region, weakness in commodities and very short-term technical considerations will conspire to create further selling pressure on the JSE. The area at 70,400 to 70,600 points represents a realistic short term trading target for the JSE but this level is unlikely to be reached today. In recent sessions we supported short term profit taking with the market and specific sectors now retreating towards levels at which short term trading exposure may be considered in conservative volumes -i.e., probing small volume trades to initiate trading exposure on counters which are very much oversold.

- Russia said to have asked China for drones
- Luxury goods ban
- Nickel trading to resume
- China wants to avoid sanctions.

Here's what markets are watching.

### Russia- Ukraine negotiations" difficult"

President Zelensky aide Mykhailo Podolyak says a fourth round of negotiations around cease fire and immediate withdrawal of troops had started but were difficult. BD. The FT reports that the talks in Rome were very intense and included a no-aides present session between Jake Sullivan and Yang Jiechi which may have included explaining consequences for China if it supplies arms to Russia. The FT reports that Russia has made a request for specific items it needs but both parties deny that such a request has been made. At this stage, China's reluctance to distance itself from the invasion makes it difficult to be accepted as mediator.

### Seeking Drones

The U.S. warned European allies that Russia asked China for armed drones in late February. U.S. officials also said Russia has asked China for military assistance for its war in Ukraine, a sign that the Biden administration is increasingly concerned about the role Vladimir Putin's most powerful diplomatic partner could play in the conflict. A Chinese spokesman rejected the reports as "disinformation" and "malicious." The Kremlin also denied the reports, insisting Russia has ample resources.

### Houston based geo-political analyst George Friedman says

- Crisis has shown immense power of the US economy, dollar, and military
- Putin's "nostalgic learnt in the 1970's" strategy has led to three armoured columns needing massive amounts of fuel and too far from each other to back each other up
- Lots of effective infantry anti-armour weapons nowadays so, it seems this is not a professional strategy proposed by the generals
- The closest entity to which he is answerable is the Russian military leadership having to

recruit Syrians points to lack of enthusiasm in Russia wars mostly last longer than expected: Afghanistan 20 years: Vietnam and Iraq 7 years just as the US accepted casualties in conventional war, it is accepting that economic pain will come in this economic war which it aims to win.

Yesterday a Russian Channel 1 editor appeared behind the news reader with a placard protesting the war and saying "Don't believe what they're saying. They're lying." Under new legislation, which makes "spreading disinformation" an offence liable for 15 years imprisonment, freedom of speech is all but extinguished. MB. FT.

### **Most sectors lower with energy trailing on crude's pullback**

Sectors mostly lower in Monday trading. Growth a notable laggard to value with the FANMAG complex generally down. Energy the big underperformer on today's crude weakness, particularly oil services. Industrial metals (especially aluminium) and precious metals miners also weaker on commodity softness. Homebuilders down on rates. Semis, cloud, profitless tech, tech hardware, ag chemicals, grocers, cosmetics, tobacco, telecom, biotech, EVs, solar among other underperformers. To the upside, banks rallying on a rate tailwind with moneycenters among best performers (regionals more mixed). Credit cards, insurance also better. Vaccine-linked names are rallying in healthcare amid the latest global COVID headlines. Some scattered strength in retail with department stores, apparel retailers, housing retail among best subgroups. Paper/packaging, ag machinery, industrial conglomerates, beverages, HPCs among other groups higher.

### **No movement from today's ceasefire talks as Russia continues to strike Kyiv**

A fourth round of talks today between Russian and Ukrainian officials made no progress toward a ceasefire, with officials announcing a "technical pause" until tomorrow to let subgroups clarify definitions (Axios). While there had not been any concrete expectations for progress, the market seemed to take some early session support from the notion that a diplomatic offramp was still available (see Reuters). US Deputy Secretary of State Wendy Sherman said Sunday Russia showing signs of willingness to have real negotiations, while Ukraine's chief negotiator said Russia looking at the situation more properly, a signal Russia may be lowering the aims of its campaign. But the lack of progress in negotiations contrasts sharply with the situation on the ground, which is seeing increased Russian strikes against Kyiv, while this weekend Russia hit a military base near the border with Poland, raising fears war could turn into a wider European conflict (NY Times).

### **China Covid trends worsen, Shenzhen in lockdown**

Covid back on the market radar with the worsening trends in China. Comes not long after press reports discussed how China is looking to dial back its zero-Covid policy. China reported 1,807 new Covid cases on Sunday, the highest daily figure in two years and more than triple the caseload of the previous day (Reuters). Shenzhen, which has 17.5M residents, placed under lockdown for at least a week to halt a growing outbreak. All bus and subway systems were shut while businesses, except those providing essential services, have been closed.

In addition, residents barred from leaving Shenzhen. Multiple reports discussed how Apple supplier Foxconn has halted operations at its Shenzhen sites, while Toyota suspended production at its joint venture with China's FAW Group in north-eastern city of Changchun. Bloomberg noted that lockdowns could ultimately affect half of China's GDP.

### **China tech rout continues**

Chinese tech stocks came under pressure again on Monday. Hang Seng Tech Index fell 11%, suffering its worst decline since launched in July 2020. Bloomberg noted that \$2.1T in value has been wiped out since a year-earlier peak. Added that selloff came after the Golden Dragon Index, which tracks American depository receipts of Chinese firms, fell 10% on two consecutive days last week, something that has never happened before in its 22-year history. Index down more than 60% from its peak. Latest downturn partly chalked up to report citing US officials that Russia has asked China for military assistance in Ukraine. However, China dismissed the report as "disinformation". Other headwinds include worsening Covid trends, US de-listing threats (despite reports a near-term solution is likely) and China's ongoing regulatory crackdown. Also, some speculation about retail margin calls and forced selling on the part of funds with Russian assets.

China wants to avoid being impacted by U.S. sanctions over Russia's war, Foreign Minister Wang Yi said, in one of Beijing's most explicit statements yet on American penalties that are contributing to a historic market selloff. Concerns are growing among investors that Chinese companies will face U.S. sanctions after American officials said Russia requested military and financial assistance from Beijing.

### **Luxury Goods Ban**

The European Union is set to approve banning the sale to Russia of luxury goods worth more than 300 euros (\$329.58), as well as the purchase of many Russian steel and iron products as part of a fourth round of sanctions over the invasion of Ukraine. EU diplomats on Monday teed up the stricter measures, which also include a ban on new investments in Russian energy projects. They could be formally adopted as early as Tuesday morning. The bloc is banning the sale of luxury cars, boats and planes valued at more than 50,000 euros.

### **Goldman Sachs cuts S&P 500 target for second time in a month**

Multiple reports (Bloomberg, CNBC) have highlighted a second S&P 500 target cut in a month from Goldman Sachs. Firm now looking for 4700 on S&P, representing 10% upside. Previous target was 4900. Noted surge in commodity prices and weaker outlook for US and global economic growth now have it looking for 5% y/y earnings growth in 2022, down from prior estimate for 8% growth. Noted market pricing in a ~40% likelihood of a downside recessionary case. Added that in a downside scenario, S&P would likely decline by 15% to 3600, in line with median historical peak-to-trough decline of 24% around past recessions. However, also pointed out that when the US economy avoids recession, 10%+ S&P 500 corrections typically represent good buying opportunities, with a median subsequent 12-month return of 15%. Highlighted potential support from 620 bp gap between

S&P 500 earnings yield and real 10-year US Treasury yield.

### Record-breaking surge in crop prices has major ramifications for global food security

Russia's invasion of Ukraine has driven record-breaking gains in crop prices, disrupting agricultural supply chains, pushing up cost of living pressures and leaving poorer nations facing a food crisis (WSJ, Washington Post, FT, Bloomberg). Ukraine and Russia major wheat suppliers but UN warns up to 30% of crop areas in Ukraine will not be planted or harvested this year due to war. According to UN, global food prices hit all-time high in February, but Ukraine war expected to worsen food inflation. Last year's crops kept off market due to closure of Black Sea ports and reluctance by ships to enter war zones, Russia sanctions impacting its ability to export while farming costs driven up by surging fertilizer prices with Russia and Belarus key suppliers. This is compounding pandemic-era supply issues from high shipping costs, energy inflation, labour shortages and unfavourable weather in other agriculture producing nations.

### US-China talks were 'intense' but no specific agreements

White House said discussions between National Security Advisor Sullivan and Chinese counterpart Yang Jiechi were "intense" and covered a range of issues in the bilateral relationship. General takeaway was that there were no specific outcomes (Reuters) apart from maintaining dialogue. US raised concerns about China's alignment with Russia, though did not go into details with the press. Beijing denied assertions that Russia asked Beijing for military equipment for its campaign in Ukraine, dismissing it as "disinformation" from the US (Reuters).

Yang expressed strong opposition to the spread of "false information," or actions that "distort or discredit China's position" (Xinhua). Sullivan reiterated US One China policy while also underscoring concerns about Beijing's activity across the Taiwan Strait. They also discussed North Korea and agreed to deepen conversations soon.

### Exchange rate

| Latest Rates | Spot  | Move |
|--------------|-------|------|
| USD/ZAR      | 15.13 | ▲    |
| GBP/ZAR      | 19.71 | ▲    |
| EUR/ZAR      | 16.60 | ▲    |
| CHF/ZAR      | 16.13 | ▲    |

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**South Africa**  
WEALTH & ADVISORY

### **GAPP study says ANC inner strife will cause yet more violence**

The DM's Marianne Thamm says a study about to be released by the Government and Public Policy think tank echoes findings in November 2021 by the Expert Panel appointed by President Ramaphosa which predicted that these battles would intensify up to December.

The GAPP study is based on "collation of large datasets in the public domain and the building of others that are not" say the four authors who include Ivor Chipkin. It used quantitative techniques drawn from data modelling and AI and was funded by the Hans Seidell Foundation as well as the Swedish International Development Agency

### **Adv. Paul Hoffman SC says ID must be replaced by independent entity**

"As the ID can be shut down more easily than the Scorpions were dissolved (after a fiercely contested parliamentary process) by rescinding its mandate under Section 7(2) of the NPA Act, it is indubitably under executive control and is accordingly neither a legal nor constitutional means of countering the corrupt who currently enjoy almost seamless impunity in SA. As to the utility of the ID: ponder its track record over the past three years of its existence to see that it has hardly covered itself in glory in pursuit of the corrupt, the kleptocrats and those who sought to capture the state. Indeed, the ID has barely scratched the surface of serious corruption in SA." He says it should be replaced with an independent Chapter 9 body in line with the ANC resolution of 4 August 2020. Ex-Hawks and other expert personnel could be recruited to make it effective.

<https://accountabilitynow.org.za/is-the-npa-really-independent/>.

- European stocks are set for another rough start even as strong Chinese economic data helped ease some of the worst fears in Asia.
- Today, Volkswagen and Ferguson are among firms reporting earnings, along with a sales update from H&M.
- U.K. unemployment and France inflation are among the macro data points, though are likely to take a back seat to the expected resumption of talks between Russia and Ukraine

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Important to note that rates will vary depending on the amount and product bought and sold.



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References: PMK Investment committee, exchange4 free, Momentum Investment consulting, Momentum securities, RMB Global markets Swissquote, eToro, Currency Partners