

22 August 2022

Outlook for the day

Despite the inconsistency in the Asian Pacific region the JSE will exhibit an initial attempt at holding its ground at current levels but the loss of traction in a number of key near term metrics substantially increases the likelihood of additional residual selling pressure as the week unfolds. The technical erosion in several key domestic indices argues for a high level of circumspection at this juncture with available evidence indicating that “early bargain hunting” should be avoided until clear evidence materialises of a high-volume near-term trading bottom. At a minimum the JSE ALSH and JSE TOPI are likely to retreat below their respective 55 day moving averages.

- Volatility awaits stocks
- Nuclear deal with Iran
- Sunak tells Truss to choose her battle
- Credit Suisse is giving up on a dream.

Here’s what people are talking about.

South Africa

War on buses

The Sunday Times headlines the 61 attacks on Intercape’s bus coaches and 14 on its offices, 31 vehicle stoning’s and 20 shootings with one driver killed. The company is taking the Eastern Cape MEC for transport to court for allegedly pressurising it, as well as other bus companies, to give in to the criminally backed demands of the taxi associations.

Ramaphosa Kinshasa visit costs R2.6m instead of R80,000

The president took an SAA jet as the air force had not paid its subscription fees for the Jeppesen flight database, which renders its aircraft not airworthy. The Sunday Times editorial, referring to this and numerous other reports last

week said “parliament...cannot look the other way while our military descends into terminal decline”.

DA “Blaxit”: why no mass resignations?

Following the resignation of yet another prominent DA leader, Patricia Kopane, S’thembiso Msomi says there should have been mass resignations if those who were unhappy were driven by principle and high values. Could it be that many of the disaffected MPs, MPLs and other public representatives decided to stay put to keep their parliamentary and local council seats – and all the benefits and privileges that came with those-knowing quite well that their hearts were no longer with the party? Sunday Times.

Lots of noise around Godongwana: successful prosecution unlikely

NWU’s Raymond Parsons says the allegations come at an inflection point for the economy as ratings agencies have recently shifted their outlook on SA from “negative” to stable” and Godongwana is widely seen as a safe pair of hands at the National Treasury, and he has already shown himself to be an astute economic navigator. Godongwana rejects the allegations as part of a smear campaign by political opponents. Sunday Times. However, convincing the complainant’s allegations may sound and however much sympathy they may elicit, it is highly unlikely that, if Godongwana’s wife stands by him as she seems to be doing, that a prosecution would succeed.

Mashatile, in the limelight, says recovery under way

In contrast to the plethora of articles lambasting the ANC the BD gives ANC treasurer general Paul Mashatile space this morning to contend that, albeit slow and almost imperceptible, the recovery is under way: more than 370,000 jobs have been created between 4Q21 and 1Q22 and in 2021 we had “the largest trade surplus on record at R448bn, which was the highest since 1988.” (sic). Operation Vulindlela in the Presidency is “implementing bold and far-reaching policy and economic rehabilitation, aimed at sustainably increasing

our economy's competitiveness and growth rate. A total of 26 reforms are being implemented" News24 editor Adriaan Basson, in a piece headed "The silent power of Paul Mashatile" notes that he could be the only member of the ANC's Top Six without a cloud of criminality hanging over his head.

He then gives an account of his involvement in the "Alex mafia" of the mid-noughties and how he was demoted to deputy minister of arts and culture under Zuma.

Bears Avenge

A sober warning for Wall Street and beyond

The Federal Reserve is still on a collision course with financial markets. Stocks and bonds are set to tumble once more even though inflation has likely peaked, according to the latest MLIV Pulse survey, as rate hikes reawaken the great 2022 selloff. Ahead of the Jackson Hole symposium later this week, 68% of respondents see the most destabilizing era of price pressures in decades eroding corporate margins and sending equities lower. All these bearish sentiments underscore the deep scepticism held by investors in the face of an unexpected \$7 trillion equity rebound of late. While stocks fell last week, the S&P 500 has still trimmed its 2022 loss to 11% versus the 23% decline through its mid-June nadir.

Deal With Iran

President Joe Biden spoke Sunday with fellow Western leaders looking to revive a nuclear deal with Iran, as the US weighs a response to Tehran's position on the latest proposal. Biden spoke Sunday with German Chancellor Olaf Scholz, French President Emmanuel Macron and UK Prime Minister Boris Johnson. The four nations were among the signatories of the original deal, which also included Russia and China. Negotiations will continue. Iran submitted its response on Aug. 15 to a framework circulated by the EU for a deal, which the EU took as constructive. The US has stayed tight-lipped on its position.

Pick One, Liz

Rishi Sunak has told Liz Truss, his rival, and the front-runner in the race to be the next UK prime minister, she can't deliver both support for struggling British households this winter and stick to her flagship policy of tax cuts. The way to tackle the cost-of-living crisis, caused by soaring energy and food bills, has become a key point of difference in the two candidates' campaigns to replace Boris Johnson. Sunak, the former Chancellor of the Exchequer, is pledging more direct aid, while Truss stresses the importance of allowing people to keep more of their money. The stakes in the debate will be raised further this week when the energy regulator Ofgem announces what the new price cap will be for the three-month period beginning in October.

No Wall Street Titan

The new boss of Credit Suisse seems to have had enough of the Swiss giant's investment bank and the gloves are finally off in Zurich. After years of past chief executive officers tinkering at the edges of a misfiring machine that lost \$1 billion in the first six months of 2022, bankers now fear a torching of much of the division. Credit Suisse's decades of duelling with the titans of Wall Street for a place among the bulge-bracket investment bank elite are potentially over. One possibility is that the investment bank ceases to exist as a separate division at some stage, with the remnant parts needed for asset and wealth management and the Swiss bank folded into those units.

Exchange Rates

Latest Rates	Spot	Move
USD/ZAR	17.01	▲
GBP/ZAR	20.09	▲
EUR/ZAR	17.08	▲
CHF/ZAR	17.74	▲

Sourced from IRESS - 2022/08/22 08h50

All rates quoted are the interbank rates at time of publishing and shown for indicative purposes only. It is important to note that foreign exchange rates fluctuate and that the rates will vary depending on the amount and product purchased and sold.

Coming Up

- European stocks are poised to start the week on a soft note as investors assess the Fed's tightening path ahead of this week's Jackson Hole symposium.
- UK Foreign Secretary Liz Truss and former Chancellor Rishi Sunak hold hustings in Birmingham as they vie to be the country's next prime minister.
- German Chancellor Olaf Scholz visits Canada, where he's expected to meet Prime Minister Justin Trudeau.
- Austrian Chancellor Karl Nehammer delivers remarks at an event.
- Expected data include Irish PPI inflation.
- Palo Alto Networks and Zoom are scheduled to report earnings.



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