

Outlook for the day

‘Just another Manic Monday’ was humming through my head yesterday. The second line of the chorus is even more poignant, “I wish it was Sunday.” All investors felt the same way.

Despite the meaningful loss of traction in the overnight US session, inconsistency in the Asia Pacific region and weakening near term technical, the JSE will attempt to exhibit further relative resilience at the outset of today’s session. In part the strength stems from the relative outperformance of global commodities and thus a degree of resilience from resource counters. While some encouragement may be taken from the relative outperformance in yesterday’s session, an on-balance assessment of the technical evidence continues to telegraph a high probability of an additional retreat in near term indicators. We remain tethered to the notion that circumspection is appropriate and that there is insufficient evidence to validate early bargain hunting.

- Saudi Arabia warns about oil market action
- UK prepares emergency spending to ease price pressures
- Poland feels cheated
- Apple to make iPhones in India.

Here’s what people are talking about.

Exchange Rates

Latest Rates	Spot	Move
USD/ZAR	16.90	v
GBP/ZAR	20.01	v
EUR/ZAR	16.89	v
CHF/ZAR	17.66	v

Sourced from IRESS - 2022/08/23 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.

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

The Rand was always going to start the week on the back foot after a bleak Friday session. Markets took fright at hawkish comments from July's US FOMC minutes and fears of higher rates saw EM currencies get routed. The US Dollar Index surged through 108.00, with the ZAR for one, depreciating more than 5.00% on the week. All this as various domestic hurdles such as slowing growth, political uncertainties and the unpredictability of Eskom's grid capacity also keeping local sentiment weak. It's evident though that the main catalyst for the EM currency sell-off was coming from offshore.

While we didn't have any major economic data releases, recent central bank comments seem to have set the tone for the coming weeks. Reading through the FOMC minutes from last week, we took away three key points for the FX market:

1. The appreciation of the dollar was helpful in suppressing import prices.
2. The Fed's objective of bringing inflation back to its 2% target.
3. Fed welcomes dollar strength and there were no linkages of the green - back strength depressing any sectors in the US economy.

The Fed noted that the dollar had continued to strengthen in the inter-meeting period, especially against the euro. The Fed blamed the move on wider interest rate differentials.

The Fed acknowledged the risk of tightening more than necessary - a risk that in effect justified slowing the pace of rate hikes and shifting to a more data-dependent approach. Within FX markets, risk-sensitive currencies may perform a little better on the view that the Fed will eventually shift away from the period of more forceful interest rate adjustments much sooner.

There are still three big event risks ahead of the 21 September FOMC meeting

These events will benefit the Fed when determining whether to hike 50bp or 75bp. These are the Fed's Jackson Hole symposium (25-27 August), the August jobs report (2 September) and the August US CPI data (13 September).

The surge in gas prices have been dominant in FX markets

The theme of energy dependence suggests the dollar remains stronger against the likes of the euro. The wild card of another Chinese Yuan devaluation also hangs as a spectre over most currencies (except the dollar), but many assume the People's Bank of China will not allow the renminbi to substantially depreciate ahead of the all-important National Congress sometime in November.

Oil Market Disconnect

Saudi Arabian Energy Minister Prince Abdulaziz bin Salman said “extreme” volatility and lack of liquidity mean the futures market is increasingly disconnected from fundamentals and OPEC+ may be forced to cut production. Prince Abdulaziz — who represents the largest oil producer in the 23-nation OPEC+ — said futures prices don't reflect the underlying fundamentals of supply and demand, which may require the group to tighten production when it meets next month to consider output targets. Meanwhile, Russia's crude shipments surged last week, recovering almost all the previous slump ahead of a European Union ban on seaborne imports of Russian crude due to come into effect in December.

Emergency Spending

Liz Truss, the front-runner to be Britain's next prime minister, is preparing to fast-track an emergency spending package to help people cope with surging energy costs, according to a person familiar. The foreign secretary, who is leading the race to take over from Boris Johnson, could announce the measures before Parliament rises on Sept. 22 for a recess. And the energy crisis is sinking the pound, which dropped to the lowest since March 2020. Meanwhile, leadership contender Rishi Sunak indicated he would not serve in a government run by Truss.

Closing the Gap

Apple plans to begin manufacturing the iPhone 14 in India about two months after the product's initial release out of China, narrowing the gap between the two countries but not closing it completely as some had anticipated. The company has been working with suppliers to ramp up manufacturing in India and shorten the lag in production of the new iPhone, from the typical six to nine months for previous launches. Apple, which has long made most of its iPhones in China, is seeking alternatives as Xi Jinping's administration clashes with the US government and imposes lockdowns across the country that have disrupted economic activity.

Feeling Cheated

Poland's justice minister lashed out at the European Union — and took a swipe at Germany — for “stealing” billions in EU funds, as a standoff between Brussels and Warsaw over financing escalates. Justice Minister Zbigniew Ziobro, who leads a Eurosceptic party in Poland's nationalist coalition, accused European Commission President Ursula von der Leyen of “cheating” the Polish government nearly three months after signalling the nation was closer to accessing as much as 35 billion euros (\$35 billion) of the bloc's pandemic recovery funds. The commission, the EU's executive arm, has made an overhaul of Poland's judiciary a condition of releasing the financing.

Coming Up

- European equity futures inched higher as Asian shares dropped amid fears over Fed tightening.
- The euro fell to a new two-decade low as concerns about the economic prospects for the region continue to mount.
- Manufacturing and services PMI data across Europe will shed light on private-sector health and sentiment six months into Russia's war on Ukraine.

- ECB Executive Board member Fabio Panetta participates in a policy panel in Milan. Minneapolis Fed President Neel Kashkari speaks at an event.
- German Finance Minister Christian Lindner holds talks with German-speaking counterparts in Switzerland. Zurich Airport, Intuit,
- Medtronic and JD.com are among the day's earnings.



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