

USD-ZAR	15.9289/15.9362	GBP-ZAR	21.1716/21.1956
GBP-USD	1.3294/1.3348	AUD-USD	0.708/0.7082
GOLD	\$1774.2	DJI	44532,00
EUR-ZAR	17.9917/18.007	EUR-USD	1.1298/1.1301
USD-JPY	113.21/113.26	R 186	7.995%
BRENT	\$70.85	3m JIBAR	3,867

Events (GMT)

07:15	SA	Standard Bank SA PMI	Nov	49,00	48,60
09:00	SA	ILB auction (R1.20bn)			
13:30	US	Change in nonfarm payrolls	Nov	500k	531k
15:00	US	Durable goods orders m/m	Oct F		-0,50%
15:00	US	ISM non-manufacturing composite PMI	Nov	65,00	66,70
15:00	US	Factory orders	Oct	0,50%	0,20%

Factors on the radar

Omicron – latest

What happened?	Anecdotally, the Omicron variant appears to elicit mild illness. A virulence study in South Africa will be completed by Tuesday
Relevance	This could be great news and signal the beginning of the end of the pandemic
Importance	5/5 (market)
Analysis	This holds the potential to kickstart a very powerful risk rally as asset prices are unshackled from the grips of the pandemic and respond to stimulus

US labour market

What happened?	Two sets of data released this week offered good news, with yesterday's weekly jobless claims signalling how layoffs fell to the lowest in over 28 years
Relevance	The focus now turns to the official payrolls data today for corroborating evidence
Importance	4/5 (economy, market)
Analysis	A strong reading in today's data will be very good news for investors into asset markets and will strengthen the argument that the economy is on a strong recovery path.

UK inflation

What happened?	A study by the BoE shows that companies are struggling to find good staff and that they expect to see higher levels of inflation through the year ahead
Relevance	Inflation is expected to rise to 4.2% in a year, implying expectations are steadily rising
Importance	4/5 (fiscal policy, economy, markets)

Analysis

Markets have priced in a 60% chance of a rate hike this month, suggesting that investors anticipate the bias to favour tightening policy through 2022 as inflation risks demand some action

Today's Talking Point

Standard Bank PMI: Nov

Expected: 49.0

Prior: 48.6

Analysis: Business conditions have worsened in three of the last four months, which is likely to reflect poorly in third-quarter economic data. Given the metalworkers' strike that's was primarily responsible for the deterioration in business conditions in October has now ended, expectations are for a recovery in the final two readings for Q4. That said, additional headwinds for the private economy, namely the return of load-shedding, elevated commodity prices, weak fiscal dynamics, and the absence of reforms, will delay a return to full production capacity suggesting a swift recovery in the coming months may be unlikely.

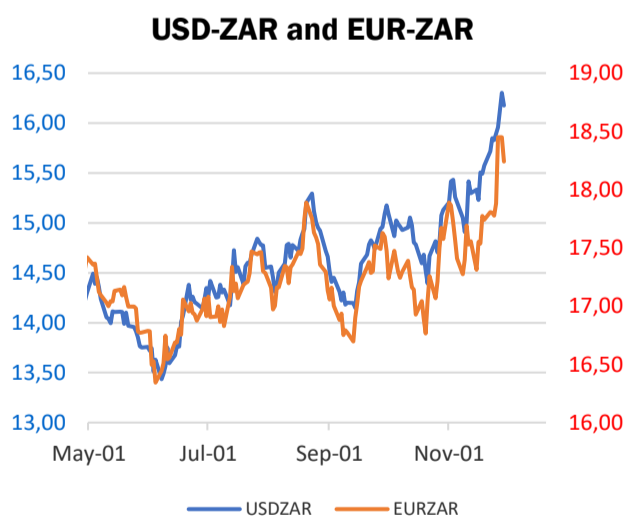
Rand Update

Into the week's final trading session, the recovery that began at the start of the week has consolidated. Interestingly, this came against the backdrop of a strong upsurge in infections which topped 11,000 per day and continues to rise. The epicentre appears to be Gauteng and will undoubtedly prove disruptive to business as many households isolate and take sick leave as they wait for the symptoms to pass. However, while infections are rising rapidly, the symptoms in this latest Omicron variant appear to be milder.

Although it is early days, if the symptoms are milder, this may give the world something to cheer on instead of fear. Suppose the virus has mutated to a far less severe variant and is highly transmissible. In that case, it may very well wash through the global population far quicker and help build global levels of immunity that render Covid restrictions redundant as hospitalisations remain under control.

Equity and other riskier markets have regained any lost ground, with some fresh records eyed before the end of the year. While politicians appear to have overreacted to a variant that may be a blessing in disguise, the financial markets appear well-positioned to take advantage. Lest we forget, there is still a tremendous amount of stimulus that still needs to wash through the global financial market system, and that will result in some impressive risk market performances.

Although SA tourism has suffered a tremendous blow at the worst possible time, there may still be something to look forward to before the end of the year if this latest mutation signals the beginning of the end of the pandemic. Scientific analysis must confirm what many are anecdotally describing as a milder variant. That holds the potential to be a significant market driver through the coming weeks. Good news on this front holds the potential to drive a powerful risk rally that will capitalise on all the stimulus still unfolding in the background. This may reflect the reasons why the ZAR has stalled its depreciation and appears to be in a holding pattern until more information is received.



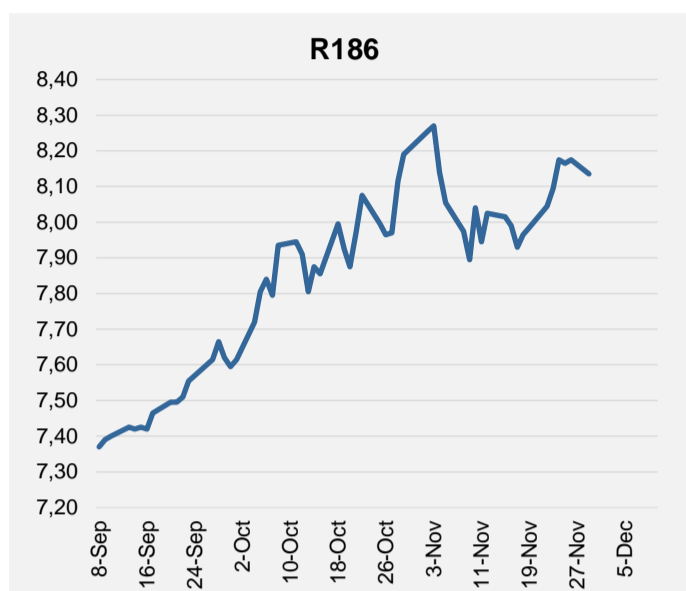
Bond Update

Political volatility could reach Parliament shortly. Business Day reports that the "Supreme Court of Appeal (SCA) ordered that the new parliamentary speaker, Nosiviwe Mapisa-Nqakula, take a "fresh decision" on how to run a vote of no confidence regarding Ramaphosa." The ruling comes after the African Transformation Movement (ATM for short) requested that a secret ballot vote of no confidence be tabled against the president. The reasons stated in the court document are the "contention of the ATM that State-Owned Entities had collapsed on the watch of the President, that he had misled Parliament in stating that there would be no load-shedding but that this had eventuated, and other aspects of alleged poor performance of his role."

Data released yesterday showed that Eskom's load-shedding drove a 3.6% y/y drop in electricity output in October. There is clearly slow progress in reform. ATM's filings were

submitted in February of 2020, yet power outages remain a regular occurrence. However, the stated reasons of SOE failure and Eskom's inadequacy are too structural to be improved in a single term. The president is perceived positively by civil society, while some kudos are due insofar as he has sought to maintain the political identity and legitimacy of the ANC in a challenging period. While votes of no confidence have been a regular part of South Africa's democratic landscape, given years of profligacy and political nepotism, they have not been successful.

Local political developments are unlikely to be significant drivers of the market. Instead, the focus will shift to the US non-farm payrolls up for release where another strong outcome is expected. Keep an eye on wage growth as a sign of second-round impacts from inflation. Against this backdrop, the ZAR remains a little undecided. Concern surrounding the new variant continues to circulate domestically, with alarmists highlighting a far higher degree of transmissibility, although anecdotal evidence suggests milder symptoms. Data confirms a rise in infections in Gauteng in particular. The knock-on to hospitalisations will drive government policy. Due to various reasons, this wave will be far milder than prior waves.



S Forex

sasfin.com

29 Scott Street, Waverley, 2090
PO Box 95104, Grant Park, 2051 | +27 11 809 7500

Sasfin Bank Limited ("Sasfin") does not guarantee the accuracy or completeness of its analyses or any information contained herein. Sasfin makes no warranties, expressed or implied, with respect to its analyses or any information contained herein or with respect to the results obtained by any person or entity from the use of its analyses or the information contained herein. In no event shall Sasfin be liable for indirect or incidental, special or consequential damages, regardless of whether such damages were foreseen or unforeseen. Sasfin is hereby indemnified and held harmless from any actions, claims, proceedings or liability with respect to its analyses or the information contained herein. A recipient should be fully aware of the risks involved in trading stock market-related products. All illustrations, forecasts or hypothetical data is for illustrative purposes only and Sasfin does not give any guarantees, warranties or undertakings in this regard. The information contained herein does not constitute an offer, advertisement or solicitation for investment or financial or banking services. The information contained herein has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and shall in no way be construed to constitute a recommendation or advice in any form.

This report is provided by Sasfin Bank Limited and is prepared by ETM Analytics (Pty) Ltd.
www.etmanalytics.com