

USD-ZAR	15.8522/15.8832	GBP-ZAR	21.2203/21.2443
GBP-USD	1.3385/1.3386	AUD-USD	0.7215/0.7216
GOLD	\$1808.06	DJI	44522,00
EUR-ZAR	17.8176/17.8316	EUR-USD	1.1232/1.1236
USD-JPY	115.1/115.13	R 186	7.985%
BRENT	\$79.25	3m JIBAR	3,850

Events (GMT)

07:00	SA	Leading Indicator	Sep		127.9
09:00	SA	Vanilla auction (R3.9bn,2030, 2031, 2035)			
09:00	EC	Markit Eurozone Manufacturing PMI	Nov P	57.3	58.3
09:30	UK	Markit UK PMI Manufacturing SA	Nov P	57.3	57.8
09:30	UK	Markit/CIPS UK Services PMI	Nov P	58.2	59.1
09:30	UK	Markit/CIPS UK Composite PMI	Nov P	57.5	57.8

Factors on the radar

Russia – Ukraine

What happened?	Russian troop movements near Ukraine are causing much distress to Ukraine, the US and NATO, who are concerned about future conflict
Relevance	A rise in geopolitical tensions will only serve to hurt the EUR further and bolster the USD
Importance	4/5 (geopolitics)
Analysis	Russia's behaviour is reminiscent of similar behaviour concerning Georgia. Although it is unclear whether Russia will invade Ukraine, it is disturbing enough that it will raise risk aversion

Oil

What happened?	The US, Japan and India are looking to release some of their strategic reserves in a bid to cool oil prices and reduce the impact on inflation
Relevance	Reduced inflationary forces will relieve some of the pressure on central banks to respond urgently
Importance	4/5 (market)
Analysis	Energy prices have been the single biggest driver of inflation in recent months. Should the pressures abate, it will offer central banks more time to assess the transitory nature of inflation

Thanksgiving week

What happened?	Investors are reminded that the US will effectively enjoy a long weekend, with Thanksgiving on Thursday
Relevance	Markets will likely trade very thinly, and much data will be packed into Wed
Importance	4/5 (economy)

Analysis

It will make for a quieter end to the week but a busy first few days as investors square off positions for the long weekend and Black Friday

Today's Talking Point

Leading indicator: Sep

Expected: -

Prior: 127.9

Analysis: SARB's leading indicator staged a modest rebound in August, owing to the continued normalisation of economic activity following the loosening of restrictions, increased vaccinations, subsiding fears over the civil unrest, policy support and abating global headwinds. That said, recent figures have illustrated that the recovery is not broad-based, with some sectors recovering at a more gradual pace than others, raising doubt over the longer-term sustainability of the recovery. Overall, SA's underlying growth fundamentals are still relatively weak and are expected to remain so until structural reforms are implemented to support domestic and foreign investment returns. Threats of strike action in some sectors also do little to aid the anaemic recovery, which could detract from the upcoming readings should they go ahead.

Rand Update

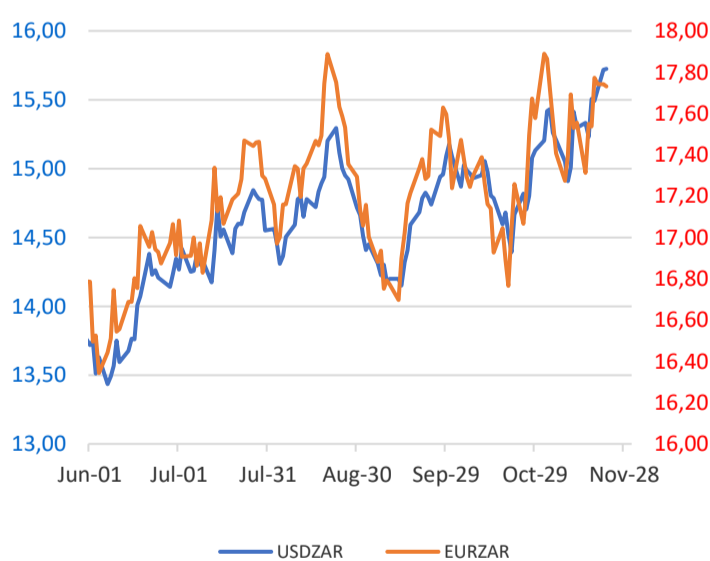
In the main, the factors driving the ZAR weaker vs the USD are offshore at the moment. The USD has jumped on the news that current Fed Chair Powell has been nominated for a second term, while the EUR in particular, has taken an almighty beating as news of more lockdowns becomes prevalent. The EUR-USD slumped to a 16-month low, and this, by extension, bolstered the performance of the USD against many crosses.

Fed Chairman Powell will be deputised by Lael Brainard, another highly experienced central banker with a long history at the Fed. Both are known to have firm views on fighting inflation. Therefore, the probability has increased that the combination will not be afraid to bring inflation back to within the mandated target. Such a perception has only enhanced the pre-existing expectation that the USD will enjoy the support from the widening policy mismatch between the Fed and many other central banks, most notably the ECB.

But while the EUR is on the defensive, talk of a fourth wave of Covid infections in SA is intensifying. This will do SA no favours, especially with the low level of vaccinations which currently stand at just under 30%, while Europe and the US hover around 70% or more. SA's vaccination rollout has been met with stiff resistance and reluctance. As a result, fears are escalating that SA could face further lockdown restrictions in the future, just as some countries are in the EU.

This potentially renders the ZAR vulnerable to further depreciation, and ahead of the US Thanksgiving long weekend approaching, there really is no particularly good news why the ZAR should stage a significant comeback unless based on valuation. However, even on this front, such positioning might very well wait until the new week. For now, the USD-ZAR appears to be underpinned and is expected to grind a little higher.

USD-ZAR and EUR-ZAR



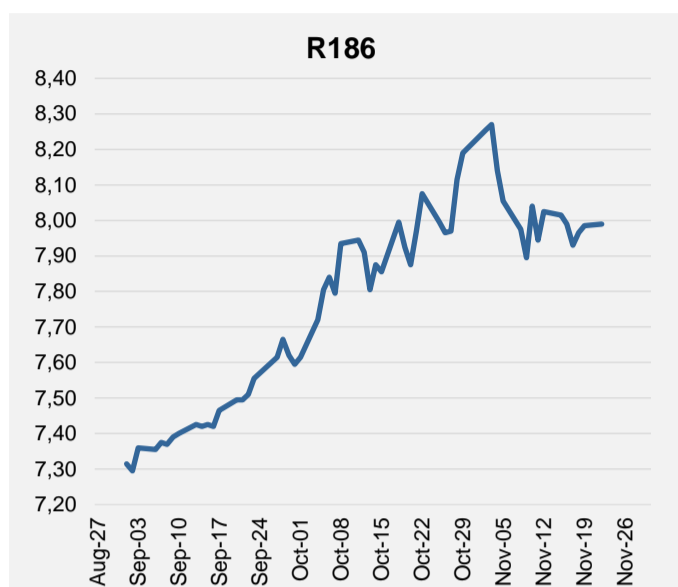
Bond Update

Some focus is shifting to the rate of Covid-19 infections, with the rate of new cases reportedly rising to its highest level since around mid-October, according to official data sources. The concern is that a fourth wave of rising infection could be on the way as the December holidays roll in. This may attract another round of restrictions on the movement of people, while some of the more draconian measures such as alcohol bans would also emerge if hospitalisations were to rise precipitously.

Such restrictions would turn the screws on critical industries such as retail, restaurants, and bars at a time when aggregate spending is already constrained. It is not obvious that South Africans will tolerate another round of sanctions. As reflected in July's Gauteng and KZN riots, state policing capacity is insufficient to maintain order. Another round of lockdowns and economic restrictions would undoubtedly turn the screws on growth at a time when SA's economic potential is already highly constrained. The weak election outcome also suggests that the stakes of a policy misstep are high.

Yet, given a very low current caseload, this is still early days. Moreover, the risk of a sudden rise in infections could be mitigated by the confluence of innate defences, population characteristics, and improving medical responses to the infections. Less than 30% of the population is vaccinated SA's aggregate levels of disease resistance would theoretically remain supported by an overall young population and relatively high level of natural immunity if data from the blood bank is anything to go by.

Only one in every 102 tests are coming back positive – suggesting that while there is increased vigilance, the prevalence of active infection is low. For scaling, this compares with a roughly 1-in-5 chance back in August during the third wave. The death rate is also very low, at about 800 people over the last month, although under-reporting could still ultimately be the case.



S Forex

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