

USD-ZAR	14.1981/14.22	GBP-ZAR	19.5317/19.5557
GBP-USD	1.3756/1.3807	AUD-USD	0.7351/0.7352
GOLD	\$1787.17	DJI	35031,07
EUR-ZAR	16.7802/16.7903	EUR-USD	1.1814/1.1815
USD-JPY	110.13/110.16	R 186	7.375%
BRENT	\$72.68	3m JIBAR	3,667

Events (GMT)

-	SA	SACCI business confidence	Aug		93,20
09:00	SA	Current account balance	2Q	R375,95bn	R267,30bn
11:00	SA	Manufacturing production n.s.a y/y	Jul		12,50%
11:45	EZ	ECB deposit facility rate	Sep 9	-0,50%	-0,50%
11:45	EZ	ECB rate announcement	Sep 9	0,00%	0,00%
12:30	US	Initial jobless claims	Sep 4		340k

Factors on the radar

Japanese Covid curbs

What happened?	This morning Japan announced that it would extend Covid-19 restrictions in Tokyo and other regions until the end of the month
Relevance	Infection and hospitalisation rates are too high for the govt to open up
Importance	4/5 (economy)
Analysis	This will detract from growth, heighten anxiety and uncertainty and detract from overall levels of economic confidence. The vaccine rollout needs to complete

ECB

What happened?	Investors are anticipating the ECB will scale back its stimulus efforts to some degree, although it will remain extremely supportive
Relevance	Although high now, inflation is expected to dip back below the ECB's target by 2023
Importance	4/5 (central banks, monetary policy)
Analysis	The current "taper" will likely be framed as a reduction of emergency assistance rather than a tapering of stimulus. The ECB will remain supportive regardless

Fedspeak

What happened?	Several Fed speakers made public comments yesterday arguing for a taper to start before the end of the year, including Bullard, Kaplan and Williams
Relevance	Although the Fed will remain data-driven, the trends in the data are all pointing to the prospect of a taper
Importance	4/5 (economy, monetary policy, markets)

Analysis

Fed members have collectively downgraded their forecasts for growth given some of the recent data, but that might only have the effect of delaying the timing slightly for the taper

Today's Talking Point

SACCI Business Confidence: Aug

Expected:

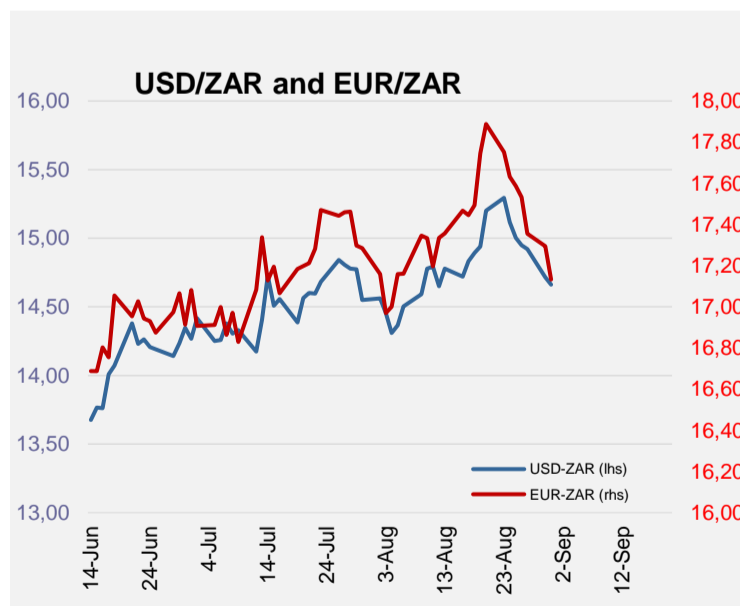
Prior: 93.2

Analysis: Business morale in SA tumbled to a 9-month low in July, as reported by the SACCI index, which reiterated inherent structural flaws that have been deepened by the arrival of the third wave of the coronavirus and related restriction measures as well as the first-round effects of the recent looting and unrest in parts of KwaZulu-Natal and Gauteng. The full impact of the disruption is still to be felt long term but will be more evident in the August monthly economic data and serve as a setback for SA's growth outlook, investment community and businesses sentiment. Therefore, we can expect a further deterioration in business sentiment, which isn't expected to make a full recovery until there are signs of government addressing SA's structural challenges and bringing to justice those that incited violence. Only then will investor and business confidence return.

Rand Update

The ZAR bucked a trend of EM currency weakness on Wednesday, appreciating 0.55% against a firmer USD to close the day at R14.2200/\$. The ZAR's defiance of broader risk-off sentiment through the session was likely due to the market digesting the previous day's stronger-than-expected Q2 GDP print, and hawkish comments by SARB Governor Lesetja Kganyago. The governor reiterated his call to change the central bank's inflation framework to a reduced, single-digit target from the current 3%-6% range. He noted that failure in the past to revise the original target range – which was always intended to shift down towards 2%-4% – was a “major policy mistake, because it entrenched higher inflation and higher inflation expectations”. These comments came ahead of an examination of SA's inflation-targeting framework by National Treasury, although formal discussions between Kganyago and FinMin Enoch Godongwana to lower the target have yet to take place.

Speaking of the finance minister; Godongwana was also on the wires yesterday, telling MPs that the economic fallout of the July social unrest and looting could linger for the next year and a half. He noted that business sentiment was negatively affected and that investment stalled, affecting the economy's general competitiveness. This was evident in yesterday's release of the BER's business confidence index for Q3, which declined by more than expected from 50 to 43. This drop was primarily due to discontent in the supply-side over the social unrest, but also due to strict COVID-19 lockdown measures, a cyberattack at the state-owned ports and rail operator that hobbled trade activity, and higher-than-usual levels of worker absenteeism.

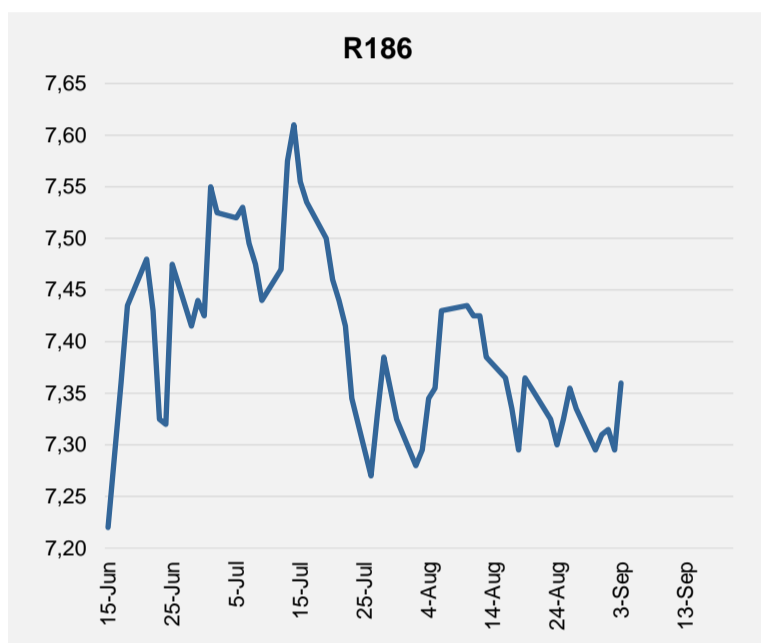


Bond Update

Finance Minister Godongwana spoke in parliament yesterday and echoed the SARB's argument that the unrest seen in July will likely suppress growth for some time. He is quoted as saying that the unrest is "expected to weigh on GDP growth in an otherwise modest recovering economy. The estimated costs to the economy have widely varied, but the consensus estimate is about R50bn. National Treasury suggests that the unrest could have under a one percent point [decline] from the GDP growth in 2021. These impacts could be lasting as the cost of the unrest on unemployment and sentiment could persist beyond 2021," while adding that the "economic impacts of unrest episodes linger, with GDP potential trending 0.2 percentage points below the pre-shock unrest levels for at least six quarters after the event."

For the government, this will further detract from already challenged tax revenue streams, limiting the potential for service delivery to a broadly disenfranchised voter base. This remains a core concern for the fiscus and for broader living standards in a society that has grown dependent on the social grants system.

Today's data card is live with August SACCI business confidence, Q2 current account, and July manufacturing data on tap. The major offshore focus will be on the ECB policy meeting, where a continued dovish message could put the Euro under pressure. US jobless claims will also be monitored closely after the NFP upset seen into the end of last week.



S Forex

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