
**29 June 2021**

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| **USD-ZAR** | 14.2699/14.2835 | **GBP-ZAR** | 19.7845/19.8085 |
| **GBP-USD** | 1.3866/1.3917 | **AUD-USD** | 0.7554/0.7559 |
| **GOLD** | $1774.1973 | **DJI** | 34283,27 |
| **EUR-ZAR** | 16.999/17.021 | **EUR-USD** | 1.1912/1.1916 |
| **USD-JPY** | 110.54/110.56 | **R 186** | 7.475% |
| **BRENT** | $74.31 | **3m JIBAR** | 3,683 |

## EVENTS

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|---|---|---|---|---|---|
| 08:00 | SA | SARB Quarterly Bulletin | | | |
| 09:00 | SA | Bond auction (R3,900mn of R 2032, R 2037, R 2040) | | | |
| 09:30 | SA | Non-farm payrolls y/y | 1Q | | -5,80% |
| 09:30 | SA | Non-farm payrolls Q/Q | 1Q | | 0,80% |
| 13:00 | US | House price index m/m | Apr | 1,70% | 1,40% |
| 14:00 | US | Consumer confidence | Jun | 119,00 | 117,20 |

# FACTORS ON THE RADAR

## ECB policy outlook

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| What happened? | > | On Monday, ECB policymakers publicly debated the timing concerning ending emergency bond purchases |
| Relevance | > | Germany and Austria were the first to allude to a taper in purchases in 2022 |
| Importance | > | 3/5 (monetary policy) |
| Analysis | > | Both Germany and Austria are known as the hawks on the ECB panel. The rest might be more accommodative. The assumption is the pandemic will be over |

## SNB policy

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| What happened? | > | SNB governing board member Maechler told a UBS event that the Bank "is not anywhere close" to normalising its ultra-accommodative monetary policy |
| Relevance | > | Current policy is deemed necessary to guard against an undue appreciation in the CHF |
| Importance | > | 3/5 (economy) |
| Analysis | > | Any appreciation in the CHF would severely detract from broader economic growth if it curtailed Switzerland's exports. The SNB has been criticised as being a currency manipulator |

## US labour market

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| What happened? | > | The US will release the latest update on its key labour market metrics this week, and they will be keenly watched events. Investors will be keen to see what guidance the data offers |
| Relevance | > | Specifically, investors will be looking for signs the recovery is gathering momentum and that the Fed may need to respond |
| Importance | > | 4/5 (economy) |
| Analysis | > | Unemployment cheques have meant that there has been no hurry for workers to return back to full employment. Those will soon be drawing to an end, and the true underlying strength of the labour market will be revealed |

# TODAY'S TALKING POINT

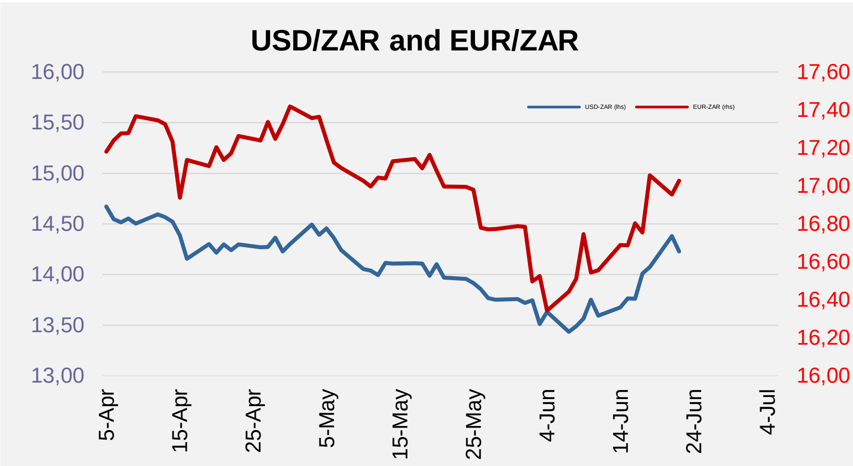
**Non-farm payrolls y/y: Q1**
**Expected: -**
**Prior: -5.8%**
**Analysis:** The recovery in non-agriculture-based jobs from the Q2 low has so far been sluggish, due to numerous industries and businesses still reeling from the impacts of the pandemic. Some support, however, has been offered by the better-than-expected economic growth from Q3 2020 onwards, but the uncertainty around the pandemic continues to undermine conditions supportive of job employment. This suggests that job shedding would have persisted in Q1, albeit at a more gradual pace. Readers should be mindful that the Q1 reading has the potential to be distorted by statistical base effects. Overall, it will take some time for a rebound in the non-farm payroll sector to take place.

# RAND UPDATE

The USD-ZAR gapped higher in intraday trade yesterday as harsher domestic restrictions announced the previous evening weighed on the local unit. This was met with broadly weaker EM and major currencies as the greenback began the week on the front foot ahead of crucial US employment data later in the week. Still, the ZAR was hardest hit on account of third-wave risks currently being realised, which will undoubtedly impact the country's growth and recovery prospects. As a result, the local currency weakened the most in the EM basket of currencies, losing 0.65% against the USD to close just shy of 14.2400/$.

The BER consumer confidence index equally weighed on sentiment towards the ZAR yesterday. The index declined in the Q2 print, erasing this year's earlier gains, which saw it return to pre-pandemic levels. The ending of the social welfare payments and temporary relief measures for workers, the emergence of a third wave of infections, rising food and fuel prices all dented sentiment in Q2.

With the general market focus now falling towards monetary policy tightening and rate hikes, albeit still some time away, South Africa's environment of subdued consumer and business confidence suggests that rate hikes too soon could derail the progress until now. However, a somewhat hawkish move can be noted by SARB governor Lesetja Kganyago yesterday after he stated there is a "compelling case" for lowering the reserve bank's target inflation range. With inflationary pressures expected to remain muted, there is a definite possibility we see lower inflation targets coming up for discussion.



The Constitutional Court made an announcement yesterday that today at 10 am SA time, judgement will be handed down on ex-president Jacob Zuma's contempt of court hearing in the state capture probe. If there is a guilty finding, sentencing will be the next step, with the recommendation being a two-year jail sentence. It is possible that the judgement is suspended on the condition that Zuma comply with the court, as a means of negotiation.

While his counterclaims are serious, Zuma has failed to show up for questioning and has not followed due process. Zuma has sat in open defiance of court orders and requests, calling into question the commission's integrity and suggesting bias in the process. Many have suggested that these are essentially Stalingrad tactics intended to reduce the effectiveness of the investigation for which he could face further jail time. The verdict today will therefore cause some major shifts in SA's political fabric. That SA's courts continue to process the corrupt is an encouraging factor for many investors and will maintain the impression that the government is cleaning up its act.

October elections are just a few months away. Following a very tough time for the SA economy and clear bungling of COVID response by the government that is still trying to find out how much of its COVID relief bill was looted, national government will need to demonstrate a clear desire for deep sweeping reforms or it will continue to hollow out its tax and voter base.