The Rand has been beaten to the ground by allegations that South Africa sold arms to Russia. While these allegations – made by the US ambassador to South Africa – remain unproven, the government has launched an independent investigation into the matter. Despite its contestations to the contrary, South Africa is widely seen as having taken Russia's side over the latter's invasion of Ukraine. The South African government insists it remains neutral – however, Western nations and business leaders are not convinced. *Source: Bloomberg/Daily Investor.co.za. Photo: Dailyinvestor.co.za*

- South African households are facing yet another interest rate hike this week – and the numbers could come in worse than initially anticipated. The South African Reserve Bank (SARB) will hold its Monetary Policy Committee (MPC) meeting this week, with an announcement in interest rates expected on Thursday (25 May). Markets have suffered multiple blows in the last few weeks amid intensified load shedding and geopolitical missteps, which have severely strained the Economy.

- According to the Bureau for Economic Research (BER), because of this, the central bank is now more likely to push rates higher than previously expected. In March, the MPC surprised the market when it hiked the rate by 50 basis points, increasing the repo rate to 7.75% and the prime lending rate to a 14-year high of 11.25%. At the time, analysts and economists anticipated an end the hike cycle, with only a few expecting one more hike of 25 basis points to follow in May. However, given the current economic environment, the view has shifted, and it is now **more likely to be another 50-basis point hike**, the BER said. Worse still, **there may be even more rate hikes to follow**. "Although a further worsening of the power situation is undoubtedly bad for growth and in isolation would argue against further domestic policy interest rate hikes, it is also inflationary," the economists said. "This is because longer hours without power will increase business operating costs as diesel-powered generators need to run for extended hours and wastage ramps up.

- " The BER noted that retailers have already sounded the alarm that any additional costs associated with even more intense power cuts would have to be passed on to the end consumer. "In that sense, increasingly, the power crisis is a stagflation – lower growth, higher inflation – shock." The economists said that the inflationary impact of load-shedding is exacerbated because concerns around the power crisis have arguably been a major contributing factor to the recent rand crash. Markets have been in a "raw panic" over a possible collapse of South Africa's grid, despite attempts from the government and power utility Eskom to assure that such an event is not likely. Intellidex analyst Peter Attard Montalto noted that, even if unlikely, the market is demanding proper contingency planning to be in place. *Source: Bloomberg/Daily Investor.co.za*

- Efficient Group chief economist Dawie Roodt warned things could go very wrong in South Africa with a toxic mix of unemployment, absolute poverty, rising food prices, and a looming election. Roodt told WorldView that the people in South Africa are working on improving the country, but the ANC and politicians are standing in the way of progress. He said the ANC is making life very difficult for South Africans to do what is needed and is causing damage to the economy in the process. He highlighted that South Africa has 30 million people receiving an income from the state who rely on this money to survive. However, the state's finances are under severe strain, which means it will spend less money on these 30 million people. With the high levels of unemployment, increased poverty, rising food costs and an election around the corner, he is "very concerned that things can go horribly wrong".

- S&P Global Ratings retained SA's credit outlook at stable on Friday while choosing not to release a report on its semi-annual review. This after an unscheduled announcement in March when it revised the outlook downwards. SA's inability to handle its energy crisis has led to numerous downgrades of its GDP forecasts. Economists have cited SA's perceived connection to Russia as a potential risk to future ratings agencies' decisions. Source: Business Day

- Indebted sugar company Tongaat Hulett will slowly close down its property company but is still selling some land and investigating potential developments, according to the division's business rescue plan published on Friday. Tongaat Hulett Development (THD) is the property arm of the sugar producer that converts farming land into property developments. It owns extensive tracts of land in KwaZulu-Natal and is the first nit of the sugar company to publish its business rescue plan.

Market Indicators and Returns as of 19 May 2023					
Equity Index		**Spot Price**	**Month to date Return**	**YTD**	**Last 12 Months**
JSE (All Share)		78,175.83	-0.1%	7.0%	14.6%
SP 500		4,191.98	0.54	9.2%	7.5%
FTSE		7,771.00	-1.1%	4.3%	11.1%
DAX		16.308.35	2.7%	16.1%	17.5%
CAC 40		7,514.19	0.6%	14.2%	15.4%
Nikkei		30,808.35	1.6%	9.6%	6.0%
Shanghai		3,283.54	-1.2%	6.3%	6.0%
MSCI Emerging		977.24	0.0%	2.2%	-3.7%
MSCI Developed		2,842.76	0.2%	2.2%	7.2%
Commodity		**Spot Price**	**Monthly Movement**	**YTD**	**Last 12 Months**
Gold $		$ 1,977.30	-0.6%	8.4%	7.0%
Brent $		$ 75.84	-5.5%	-11.8%	-31.9%
Indicators		**Spot Price**	**Monthly Movement**	**YTD**	**Last 12 Months**
ZAR/USD		$19.42	5.8%	14.4%	22.6%
ZAR/GBP		R 24.14	5.2%	18.1%	22.2%
ZAR/EUR		R 20.99	4.2%	15.8%	25.3%
CPI		7.1%	April 2023		
Prime Rate		11.25%	**Repo Rate**	7.75%	

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