

# Morning Bell

Monday 08.05.2023

morningbell@work

## GLOBAL AND LOCAL NEWS

### Global

#### Factset headlines

#### Economy:

Airfares posted their 15th consecutive month of double-digit growth in February (FT)  
Concerns emerging that buyers will not step up to bid on troubled banks before FDIC takes them over (Reuters)  
Airlines have been aggressively hiring, but worries remain that it may not be enough for busy summer travel season (Axios)  
"Reglobalization" trend seeing move away from China reliance, with countries forging links with diverse partners (Bloomberg)

#### Washington:

43 Senate Republicans say they will oppose any bill that only raises the debt ceiling (Reuters)  
Moderate Republicans concerned leadership is not doing enough to tamp down Freedom Caucus's expectations (Axios)  
While expectations are a last-minute debt deal could be struck, a default could be a major volatility event (FT)  
Yellen says "no good options" on debt ceiling other than congressional action; rules out 14th Amendment action (ABC News)

#### Corporate:

Berkshire Hathaway holds annual shareholders meeting (CNN, CNBC)  
Apple increasingly looking to emerging markets for growth (Bloomberg)  
Gov. DeSantis signs bill giving Florida the power to void development agreements (NY Times)  
Other corporate mentions in the weekend press: Anheuser-Busch InBev (ABI.BB), Carrier (CARR), Eli Lilly (LLY), Novo Nordisk (NOVO.B.DC), Starbucks (SBUX), UnitedHealth (UNH)

#### Energy:

Net-long WTI positions in dropped sharply in the latest week as crude prices fell (Bloomberg)

#### China:

Growing number of companies warn that China's recovery is coming along slower than expected (FT)

#### Geopolitics:

Wagner Group says it will remain in Bakmut after Russia pledges more arms (Reuters)  
Russians evacuating civilians from parts of occupied Zaporizhzhia as regional fighting intensifies (FT)  
Ukrainian officials worried planned counteroffensive will not live up to international expectations (Washington Post)  
Fighting continues to rage in Khartoum as a joint US-Saudi initiative works to end the conflict (Reuters)

#### April payroll gains, earnings growth come in hotter than consensus

April nonfarm payrolls grew by 253K, well ahead of consensus for 179K and March's 165K pace (big downward revision from original 236K gain). February revised down as well, to +248K from +326K. Unemployment rate printed at 3.4%, below consensus for 3.6% and prior month's 3.5%. Labour-force participation rate remained stable at 62.6% for the month after having ticked up gradually in recent months. Average hourly earnings were up 0.5% m/m, hotter than March's 0.3% monthly pace, which was also the consensus. Earnings up 4.2% y/y. Average workweek unchanged at 34.4 hours. Release noted employment gains in professional/business services, healthcare, and leisure/hospitality. Temporary help jobs decreased again. Higher-than-expected jobs and wage growth may be a complication for the Fed, which has aimed to reduce labour-market tightness (though combined 149K in downward Feb/March revisions a notable offset). But may also counter recent concerns about a broad economic slowdown.

#### Apple beats on iPhone strength

Apple last of the big tech names to report Mar Q results. Revenue beat by 2% while EPS was 6%+ better. iPhone the upside driver as revenues unexpectedly grew 2% (vs consensus for a 3% decline). Takeaways focused on strength in emerging markets, highlighting record demand in a number of countries. Low iPhone share in these markets expected to remain a tailwind for revenue and installed base growth. Also talk of some support from better supply dynamics following Dec Q constraints. While Services revenue growth of 5% was just below consensus, takeaways still flagged record revenue in App Store, Music, iCloud, and payments. Also a lot of discussion about the secular tailwind for Services from the record installed base. Very little focus on Mac and iPad, which were adversely impacted by macro and tough comps. Apple guided for Jun Q revenue to be similar to March, which was down 2.5% y/y. Some thoughts this was in line to better than buyside outlook. Services growth is also expected to be similar to Mar, which came in at 5.5%. GM guidance looked better. Street positive on \$90B buyback authorization.

#### Bearish talking points for week-ended 5-May

Renewed bank stress with First Republic third bank to be taken over by FDIC in less than two months. JPMorgan deal failed to drive an expected bounce as shorts pressed the group and long-only funds dilled back. Bank concerns continued to revolve around deposit flight/funding constraints, asset marks, credit normalization, dampened earnings power and lack of a meaningful regulatory response (expanded deposit insurance). Some worries Powell/Fed too sanguine on the bank stress, while he also said inflation outlook does not support pivot expectations. Some hotter inflation takeaways from average hourly earnings in employment report and prices paid in both ISM surveys. Debt ceiling stalemate concerns ramped higher as Treasury brought x-date estimate forward to early June. More scrutiny surrounding weak market breadth with strategists highlighting negative directional signal for stocks. TARA over TINA with continued surge in money market inflows and largest equity outflow in over two months. China recovery momentum narrative partly dented by Estee Lauder and Qualcomm updates. AI downside in focus with Chegg noting customer growth headwinds and IBM pausing hiring.

#### Bullish talking points for week-ended 5-May

Hard-landing concerns dented by record 13th straight upside surprise in nonfarm payrolls. Also some signs of the type of labour market loosening Fed wants to see with the decline in March job openings in the JOLTS report. Fed tweaked forward guidance to signal an expected pause, a change Powell described as meaningful. Q1 earnings beat/surprise metrics continued to run nicely above one-year averages, while guidance/revenue trends positive. Renewed margin expansion a bright spot with takeaways focused on pricing power, easing supply chain pressures and some input cost moderation. Apple closed out May tech earnings on a positive note, travel and leisure continued to benefit from normalization/pent-up demand tailwinds, and industrial names continued to beat and raise. Some signs of disinflation traction as Manheim Used Vehicle Value Index posted first sequential decline of the year in April. Regional banks bounced Friday as JPMorgan upgraded Western Alliance, Zions and Comerica, citing the overwhelmingly bearish sentiment. Buybacks coming back with Goldman Sachs noting ~75% of S&P 500 companies are out of their blackout window by end of week.

#### All sectors finish higher, with energy and tech in the lead

Market breadth was broadly positive Friday after a string of down days this week. Banks bounced after a big slide this week on regional-bank worries (and regionals outperforming the larger caps). Big tech was higher; AAPL-US in the spotlight following its iPhone-driven beat. Energy sector pared this week's steep declines, with help today from better crude (WTI back above \$70/barrel). E&Ps, oil services, integratreds all rallied. Autos and suppliers had a good day, particularly TSLA-US. Semis were mostly stronger despite a few earnings-related decliners (including MPWR-US). Credit cards, airlines, managed care (CI-US), industrial metals, and chemicals outperformed as well. Very few groups were completely in the red. Healthcare mostly better but some MedTech/Life Sciences saw a touch of weakness (BIO-US was a big decliner after earnings). Casual diners was a weak spot in consumer discretionary. Beverages, telecom, utilities, pharma were among the other relative underperformers.

#### Fed aftermath

Fed raised rates by 25 bp the May meeting, taking the funds rate to 5-5.25%, the median peak projection in the March dot plot. FOMC statement scrapped previous guidance for additional policy firming needed to attain sufficiently restrictive stance. Instead noted that in determining extent to which additional policy firming may be needed, it will take into account overall tightening cycle, policy lags and other developments. Rate hike and guidance change largely fit with expectations, though there seem to be a lot of moving pieces surrounding the Fed. Dovish takeaways flagged Powell's comments about the guidance change being meaningful, fitting with expectations for a pause. Also some focus on his comments about easing nominal wage growth, declining job openings, inflation moderation and well-anchored inflation expectations. However, also said Fed does not know if it is sufficiently restrictive and no decision on a pause has been made. Added inflation outlook does not support pivot expectations. Also concerns Fed behind the curve given Powell's comments on banking stress.

COMPANY & COMMODITY NEWS	STOCK PICK OF THE WEEK	MARKET SNAPSHOT
Update on Aveng <a href="#">Read more&gt;</a>	Portfolio Manager, Werner Robberts CFA, CFP, CSb (SA) stock pick of the week: Standard Bank.	Today's Market Snapshot by Technical Analyst Ernesto Gruhn.
Comment on Astral Foods <a href="#">Read more&gt;</a>	<a href="#">MORE</a>	<a href="#">MORE</a>
HEINEKEN successfully completes acquisition of Distell and Namibia Breweries <a href="#">Read more&gt;</a>		
Clicks and Dis-Chem - Well positioned to withstand tough macro conditions <a href="#">Read more&gt;</a>		
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OUTLOOK FOR THE DAY	COMPANY RELEASES
<b>The brisk upside recorded in the US on Friday was partially matched by an improved performance on the JSE indicating that despite the improved tonality in the Asia-Pacific region domestic equities are likely to initially enjoy only modest upside.</b> From a technical perspective encouragement may be taken on the fact that the JSE chart has defended a key short term support area. Remaining trading exposure may be retained but traders need to exhibit alertness in regard to a possible bout of weakness in the complex 18 day moving average for the JSE. <b>Weekly charts continue to trade at an appreciable premium versus the 200 week moving average but for the moment there is no evidence of a reversal in the complex five week moving average.</b>	<b>JSE SENS</b>  REDEFINE PROPERTIES - Results for the 6 months ended 28 February 2023 (1H of FY 08/23)  <a href="#">Read more&gt;</a>  <b>COMPANY RELEASES FOR THIS WEEK</b>  08-May-2023 LAB-ZA Labat Africa Ltd. Q2 2023 Earnings Release (Projected) 08-May-2023 RBX-ZA Raubex Group Ltd. Q4 2023 Earnings Release (Projected) 08-May-2023 VUN-ZA Vunani Ltd. Q4 2023 Earnings Release (Projected) 08-May-2023 RDF-ZA Redefine Properties Ltd. Q2 2023 Earnings Release 09-May-2023 REB-ZA Reboasis Property Fund Ltd. Q2 2023 Earnings Release (Projected) 09-May-2023 SSW-ZA Sibanye Stillwater Ltd. Q1 2023 Sales and Revenue Release - Operating Update 09-May-2023 LSAK-US Lesaka Technologies, Inc. Q3 2023 Earnings Release 10-May-2023 TCP-ZA Transaction Capital Ltd. Q2 2023 Earnings Release 11-May-2023 062BGO-E Orion Real Estate Ltd. Q4 2022 Earnings Release (Projected) 11-May-2023 EQU-ZA Equites Property Fund Ltd. Q4 2023 Earnings Release (Projected) 11-May-2023 LEAT-ZA Leatt Corp. Q1 2023 Earnings Release (Projected) 11-May-2023 MTN-ZA MTN Group Ltd. Q1 2023 Sales and Revenue Release - Trading Update 11-May-2023 MTNZF-ZA MTN Zakhele Futhi (RF) Ltd. Q4 2022 Earnings Release 11-May-2023 VLE-ZA Value Group Ltd. Q4 2023 Earnings Release (Projected) 11-May-2023 SAP-ZA Sappi Ltd. Q2 2023 Earnings Release 12-May-2023 ANG-ZA AngloGold Ashanti Ltd. Q1 2023 Sales and Revenue Release 15-May-2023 BWN-ZA Balwin Properties Ltd. Q4 2023 Earnings Release (Projected) 15-May-2023 CGR-ZA Calgro M3 Holdings Ltd. Q4 2023 Earnings Release 15-May-2023 ENX-ZA enX Group Ltd. Q2 2023 Earnings Release (Projected) 15-May-2023 NTC-ZA Netcare Ltd. Q2 2023 Earnings Release (Projected) 15-May-2023 YVLBEE-ZA YeboYethu (RF) Ltd. Q4 2023 Earnings Release (Projected) 15-May-2023 VOD-ZA Vodacom Group Ltd. Q4 2023 Earnings Release 15-May-2023 AEL-ZA Altron Ltd. Q4 2023 Earnings Release

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### Forex

Currency	Spot	Move (%)
USDZAR	18.39	-0.07 ▲
GBPZAR	23.26	0.12 ▲
EURZAR	20.30	0.03 ▲
AUDZAR	12.46	0.31 ▲
EURUSD	1.10	0.19 ▼
GBPUSD	1.26	0.14 ▲

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### Best performing

Share	Price	Move (%)
Sasol Limited	23 221	4.81 ▲
BHP Group Limited	55 395	4.76 ▲
Anglo American plc	56 866	4.27 ▲
Sibanye Stillwater Ltd	4 458	4.09 ▲
Mr Price Group Ltd	14 740	4.02 ▲

\*ZAO1 Shares only - as at the close on 2023/05/05

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### Worst performing

Share	Price	Move (%)
Gold Fields Ltd	29 677	-8.16 ▼
Anglogold Ashanti Ltd	91 950	-5.37 ▼
BID Corporation Ltd	39 000	-1.89 ▼
Anheuser-Busch InBev SA	118 500	-1.69 ▼
MTN Group Ltd	11 812	-0.11 ▼

\*ZAO1 Shares only - as at the close on 2023/05/05

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April	BUY & SELL LIST
LDT, DATE & EVENTS CALENDAR	
Below is a list of important company events and corporate actions as well as the dates for important economic releases. <a href="#">Read more &gt;</a>	The Buy & Sell list is a list of Factset consensus calls on the JSE listed Top40 stocks. This is a quick way for one to get an idea of the market's view as to whether a stock is a Buy, Hold or Sell. <a href="#">Read more &gt;</a>

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