



FROM ELECTION DAY TO 5G: WHAT IS NEW THIS WEEK?

One month away and the United States (US) presidential race is back on! Although his private physician did not want to go as far as to say he is coronavirus free, Trump is adamant that he has made a full recovery. He plans to resume big rallies in swing states, most notably Florida, Iowa, and Pennsylvania.

In other US news, Democratic-held Congress once again rejected President Trump's proposals for a larger fiscal stimulus package, as well as his request that unspent paycheck protection program funds be released for other purposes. We still maintain that this stalemate is a political device used by Republicans to discredit Trump among voters, and we are not impressed. The US Senate will hold the final hearing on the Supreme Court nominee Amy Coney Barrett, which will be a strategic victory Republicans want to finalize before the final results of the elections.

US retail spending is an important gauge of the strength of the American consumer, whose spending accounts for about two-thirds of US economic activity. Since June, after plunging when the coronavirus pandemic swept through the country, retail sales have posted all-time highs. In this week, the results of the September primaries will be published, and many analysts believe the trend will continue with an additional spending increase of 0.7%. US retail spending is also an important figure for expectations about global growth. So too, is China's inflation figures which are also set to be released this week. Analysts believe the consumer price index will rise 1.7%, year-on-year, and maintain that China's economy will not contract in 2020, unlike most, if not all other countries around the world. As a result, the Chinese Renminbi (CNY) has strengthened considerably against the USD leading to a cut in the reserve requirement ratio on some foreign exchange forward contracts in China. Our view is that China's large basic balance surplus and the likeliness of portfolio inflows, as investor's search for yield, will lead to further CNY strength over the coming 12 months.

After many delays caused by coronavirus-related supply chain disruption, Apple is expected to announce its 5G-equipped iPhone this week, the biggest leap forward for the iPhone since 2014. Analysts expect the four new models of the iPhone 12 will be 5G-equipped and trigger a wave of upgrades among the nearly 1 billion iPhone users. New hardware upgrades come at a crucial time for Apple, which has been leaning on its services and accessories businesses in recent years.

The European Union (EU) Summit will kick off this week, and although United Kingdom (UK) prime minister Boris Johnson saw it as a deadline to get a Brexit deal, he will most likely have to settle for a stock-taking exercise. However, we think there is a risk of this deadline slipping and a deal being negotiated in early November. Prime Minister Boris Johnson has said that he wants to know whether an agreement is possible, and sufficient progress can be made by 15 October; otherwise, he will start ramping up no-deal preparations. However, according to senior EU officials, the EU has no plans to offer concessions to Boris Johnson before next week's EU Summit. We think the talks are likely to drag until November and key concessions are unlikely to come before the EU Summit. Therefore, the EU Summit could be a stock-taking exercise.

In the UK, prime minister Boris Johnson is set to announce in the House of Commons a new set of rules for local lockdowns with areas graded in three tiers: medium, high and very high risk. The UK releases unemployment data on Tuesday, with any bad reading only serving to reinforce the feeling that more stimulus from the Bank of England is on the way.

In South Africa, some high-profile state capture arrests have been made, signalling a positive first step to regaining investor and business confidence. However, arrests are one thing. What is more important is the judicial process and eventual imprisonment of those found guilty. Until this stage, the arrests will only be more smoke and mirrors, and not a material transformation of governance considerations, which we have all been hoping for.

