



attooh!
HEALTH | WEALTH | LIFE



WS

WEEKLY SQUAWK

Specialist Investment News Updates



INDICATORS



BUSINESS
MARKETS



PORTFOLIOS



INFLUENTIAL
FACTORS



Stewart Dando

Investment Specialist | MIFM
Squawk Editor in chief

MOYANE SHOWN THE DOOR, GIGABA'S DEFIANT POSITION, AND SOME INTERESTING WORK AHEAD FOR THE INTEGRITY COMMISSION

MOYANE SHOWN THE DOOR...

President Cyril Ramaphosa has today, Thursday, 1 November 2018, terminated, with immediate effect, the appointment of Mr Tom Moyane as Commissioner of the South African Revenue Service (SARS). This follows the recommendation made by the SARS Commission chaired by Judge Robert Nugent that immediate action is needed to forestall any further deterioration of our tax administration system."

These were the words issued by the presidency last week, finally bringing to an end the ruinous reign of Tom Moyane at the revenue service. The interim report tabled by retired judge Robert Nugent was unequivocal in its recommendations: 'Fire him, and fire him now'. Moyane had predictably approached the Constitutional Court, still bleating about the formation of the commission and challenging its constitutionality. Ramaphosa seemed prepared for this, noting in his affidavit on Friday that there are currently a number of serious challenges facing SARS, including a notable decline in tax morality exacerbated by a concomitant increase in tax avoidance, a decline in effective tax administration and significant shortfalls in revenue collection. Ramaphosa felt that he was left with little choice but to terminate the services of Moyane before more damage was done.

"The interim report makes clear that there is considerable evidence, which the SARS Commission gathered, indicating that in order to resolve the challenges at SARS, it would be best to terminate your services"

Not only did the president fire Moyane, he also left the ex-commissioner in no doubt as to how he felt about his conduct during the commission:

"Of further, and in many ways greater, concern is your refusal to meaningfully participate in the SARS Commission in order to assist with identifying the root causes of the systemic failures at SARS and ways in which to arrest these."

Ramaphosa, a clever and calculating tactician, has simply let the different processes take their course. It's quite obvious that he knew what the outcome of the Nugent commission would be. All he had to do was guarantee its legitimacy, and by doing so, bind himself to its recommendations. It's a simple and brilliant plan. And it's a plan that should yield similar results at the Zondo commission, albeit these may take time. The outcome, however, should be the same: The systematic dismantling of the state capture machine and the subsequent identification and punishment of all of its complicit little (and big) cogs.





Interesting Stuff



Pants on fire: Wow. Home Affairs minister Malusi Gigaba has certainly had an October to forget. First, there was his appalling testimony before parliament earlier in the month regarding the uncharacteristically efficient naturalization of several Gupta family members, all of which could be summed up by the phrase, *"It wasn't me"*. Then, on a more salacious note, was the solo sex tape of him (yes, solo) that was leaked to the press, causing much embarrassment (his protestations that he was being blackmailed with the video didn't seem to placate his detractors). Following this was the drama around the private air terminal 'Fireblade' that he says he didn't approve, but three court processes found differently, and also labelled him a liar. And now, Public Protector Busisiwe Mkhwebane has issued a report stating:

"The President of the Republic of South Africa must take appropriate disciplinary action against Minister Gigaba for violating the Constitution, the Executive Ethics Code, and the Code of Ethical Conduct and Disclosure of Members' Interests for Assembly and Permanent Council Members"

Gigaba has remained defiant, and Cyril Ramaphosa now has twenty days to take action against the former finance minister. I'm guessing Gigaba won't last the week.

A true test for Trump: Tomorrow, Donald Trump's presidency will face its biggest political test to date as House and Senate elections will

determine whether his Republican Party keeps control of Congress for the next two years. Trump is a divisive character, of that there is no question, and he's never far from controversy. So, it seems appropriate then, that in the days leading up to the elections he has been accused of blatant racism by his former lawyer Michael Cohen, threatened to sign an executive order revoking the granting of US citizenship to babies of illegal immigrants born in the US and instructing his team to begin drafting a trade deal with China, while providing no details and causing markets to guess at what his plans are.

Has Trump's abrasive and belligerent personality done enough damage to hurt his party's chances tomorrow? Or will the strongest US economy in fifty years be enough to keep control of Congress? We'll find out soon enough.

Signs of a synchronised slowdown: International equity markets, much like Malusi Gigaba, have had a torrid October. But was this just a blip, or a sign of things to come? The trade war is beginning to hurt China, with manufacturing output on the verge of a contraction and export orders at a two-and-a-half year low. In Europe, the pace of growth halved in the third quarter even though inflation accelerated. The Italian political situation remains a major risk, and growth in Europe's strongest economy Germany looks set to stagnate. Emerging markets ended October in the red, with currencies yoyoing all over the place and causing

Indicators:

AT THE CLOSE, OR AT 06:00
SAST TODAY:

JSE:
54,271.19 POINTS

GOLD:
\$1,232.05/OZ

DOLLAR/RAND:
\$1/R14,3433

R186 YIELD:
9.18%

BRENT CRUDE:
\$72.45/BL

REPO:
6.5%

CPI/INFLATION:
4.9%

havoc. This leaves the US to drive global growth. But you can only cut taxes and issue debt to drive growth for so long until it becomes a problem. The Trump administration is looking to increase debt sales this month above the levels seen during the great financial crisis, and growth in the world's largest economy looks set to moderate in 2019.

For now though, the eyes of the world will be focused on the US mid-terms. It should be a clear gauge as to how politically powerful Trump is, and what this level of power enables him to do going forward.



Article of the Week

A brilliantly written opinion piece features as this Squawk's article of the week. It is enticingly entitled 'Politics and ethics walk into a bar', and paints a poignant picture of the lay of the political landscape, both here and abroad, and how a patient and circumspect Ramaphosa is bucking an international leadership trend toward the right. By **David Everatt**.

<https://www.news24.com/Columnists/GuestColumn/politics-and-ethics-walk-into-a-bar-20181102>

Jargon of the Week

What is a 'Hedge Fund'?

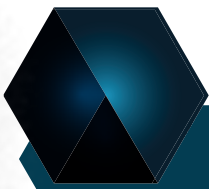
Hedge funds are alternative investments using pooled funds that employ numerous different strategies to earn active return, or alpha, for their investors. Hedge funds may be aggressively managed or make use of derivatives and leverage in both domestic and international markets with the goal of generating high returns (either in an absolute sense or over a specified market benchmark).

Source: Investopedia



Quote of the Week

“*“The NEC affirms its dismay with the impact of the VBS issues on the lives of ordinary people across the country, but especially in Limpopo and Vhembe, and restated its position that those found guilty of wrong doing must face the wrath of the law,” said ANC Secretary General Ace Magashule regarding the VBS Mutual bank scandal. Oh, the sweet, sweet irony...*”



In Conclusion

When integrity becomes uncomfortable...

The Oxford English dictionary defines 'Integrity' as: 1) *The quality of being honest and having strong moral principles* and 2) *having consistency and a lack of corruption*.

The ANC's National Executive Committee (NEC) met over the weekend and high on the agenda was a discussion around its integrity commission's recent rulings, chief among which, the ruling that ANC leaders implicated in the VBS Mutual Bank saga must step aside from their positions. (You can imagine how well this went down with some ANC cadres...)

The integrity commission was established after the 2012 Mangaung conference to protect the ANC's image "by ensuring ... that urgent action is taken to deal with public officials, leaders and members of the ANC who face damaging allegations of improper conduct". While that mandate sounds all good and well, it is rendered almost useless by the fact that any and all of its decisions have to be ratified by a divided NEC. So, while it may find certain leaders guilty of misconduct and corruption, it doesn't have the power to institute proceedings against them without the rubber stamp of the NEC. Can you see the problem here?

There are growing fears within the ANC that the integrity commission could be wielded as an instrument to purge pro-Zuma loyalists after their faction lost at Nasrec last year. And even some allies of Ramaphosa are worried about the commission being given too much power. Then we come to the VBS Mutual Bank looting problem. While the ANC is facing enormous

pressure from voters in Limpopo to show that it takes the looting issue seriously, it faces a big problem in that deputy provincial chairperson Florence Radzilani and provincial treasurer Danny Msiza are implicated in advocate Terry Motau's Great Bank Heist report. While Msiza allegedly pressurised municipalities to place deposits in VBS illegally, Radzilani received cash from the bank. And let's not forget that the ANC themselves also received millions in donations from the bank, a fact that was initially denied but later accepted, with promises to pay the money back.

The need for the existence of an integrity commission in the first place should be seen as a problem, but be that as it may. What's good for the goose is good for the gander. Anyone that is found to have acted dishonestly, immorally or corruptly, needs to face the full might of the law, regardless of who they supported in Nasrec. It just so happens that the majority of people who are aligned to Jacob Zuma are so because they benefitted from the corruption and state capture enabled and facilitated by the former president. So, it seems inevitable that most of the findings of the Integrity commission will be against Zuma-loyalists. Does that make it acceptable to use it as a purging tool? No, of course, that would have the affect of compromising the commission's integrity (See what I did there?).

As October gave way to November last week, there seems to be a palpable feeling of progress in the South African air. It's slow, granted, but it's there...



© 2018 - 2018 Zapiro (All Rights Reserved) Originally published in one of these publications: Daily Maverick, Sunday Times, The Times, Mail and Guardian, IOL, or Sowetan in 2018. Printed/Used with permission. More Zapiro cartoons at www.zapiro.com The Squawk thanks the following sources of inspiration: Daily Maverick, Bloomberg, News24, Moneyweb, Financial Times and Investopedia.

Until next week, make good decisions, and happy investing.

"The opinions and views expressed in this newsletter are those of the author and do not necessarily represent those of the attooh! Group or its affiliates. Content stated as fact was fact at the time of writing. The information in this newsletter is not intended to constitute financial advice as contemplated in the Financial Advisory and Intermediary Services Act"

Designed by:

Creative^{attoo!}
design | marketing | events