



Market Update

Friday, 2 September 2022



Global Markets

Asian shares struggled for direction on Friday and the dollar stood tall ahead of a key U.S. jobs report as investors braced for more aggressive rate hikes from the Federal Reserve, while fresh lockdowns in China fuelled concerns about global growth.

However, things look brighter in European markets, with the pan-region Euro Stoxx 50 futures last up 1.2%, German DAX futures rising 1.3% and FTSE futures 0.75% higher.

All eyes are now set on U.S. August nonfarm payroll data due on Friday.

Analysts expect 300,000 jobs were added last month, while unemployment hovered at 3.5%. Investors may not like a strong number if it supports a continuation of aggressive rate hikes from the Fed, which could further boost the U.S. dollar and spur a sell-off in bonds.

Futures markets have priced in as much as a 75% chance the Fed will hike by 75 basis points at its September policy meeting, compared with a 69% probability a day earlier.

On Friday, MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.5%, heading for its worst weekly performance since mid-June with a tumble of 3.6%, as rising expectations of hawkish global rate hikes hit risky assets.

Japan's Nikkei dipped 0.1%, Chinese bluechips dropped 0.5%, Hong Kong's Hang Seng index fell 1.0% and South Korea remained largely unchanged.

"Markets broadly continue to absorb that central banks' 'whatever it takes' to lower inflation message means much slower global economic growth," said Tobin Gorey, agriculture strategy director at the Commonwealth Bank in a note. "And China's weakening economy is an amplifying special factor in that scenario."

On Thursday, the southwestern Chinese metropolis of Chengdu announced a lockdown of its 21.2 million residents, while the technology hub of Shenzhen also rolled out new social distancing rules as more Chinese cities tried to battle recurring COVID-19 outbreaks.

Analysts at Nomura said what is becoming more concerning is that COVID-19 hotspots in China are shifting away from remote regions and cities to provinces that matter much more to China's national economy.

"We maintain the view that China will keep its zero-COVID policy until March 2023, when the (leadership) reshuffle is fully completed, but we now expect a slower pace of easing of the zero-COVID policy after March 2023," Nomura said.

Oil prices tumbled 3% overnight before recovering some ground on Friday but were on track to post sharp weekly losses on fears COVID-19 curbs in China and weak global growth will hit demand. Brent crude futures rose 2% to \$94.15 a barrel on Friday while U.S. West Texas Intermediate (WTI) crude futures were up by a similar margin to \$88.34 a barrel.

In the currency markets, the dollar index, which measures the greenback against a basket of six currencies, hovered near its 20-year high at 109.49 on Friday. It also hit a new 24-year high against the rate-sensitive Japanese yen and stood back above 140 yen per dollar.

Overnight, U.S. stocks eked out modest gains with the U.S. S&P 500 index climbing 0.3%. The Nasdaq Composite finished down 0.3%.

In Europe, fears of a recession are on the rise, with a survey showing on Thursday that manufacturing activity across the euro zone declined again last month as consumers feeling the pinch from a deepening cost of living crisis cut spending.

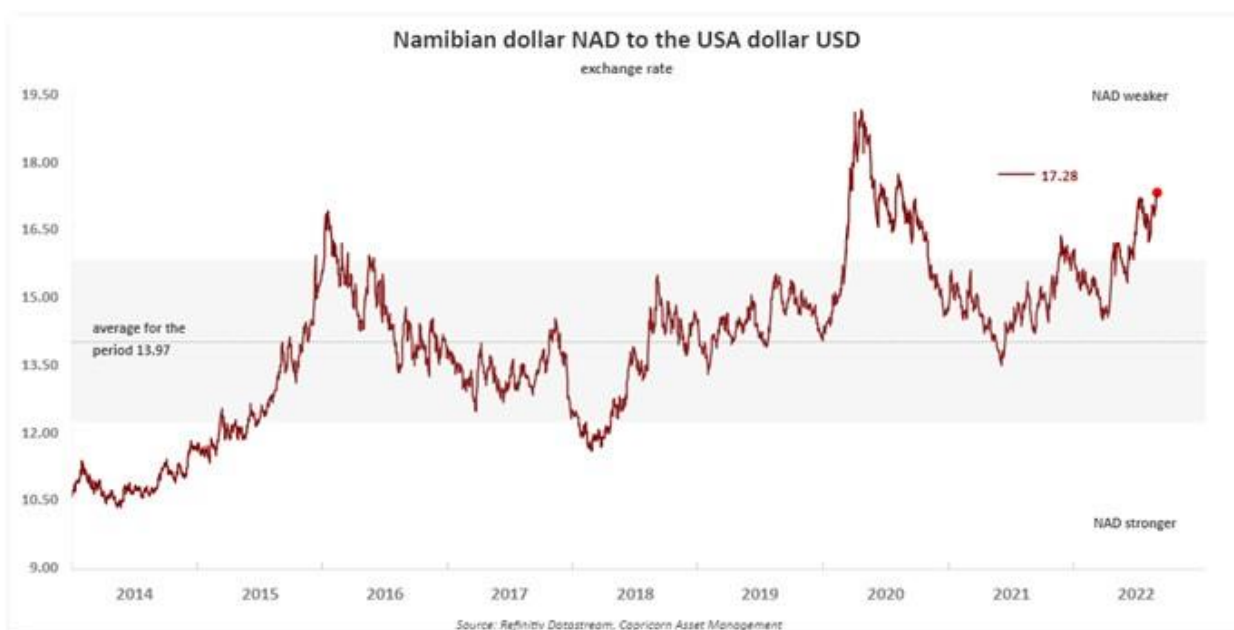
Treasury yields eased slightly ahead of potentially strong payroll data.

The yield on benchmark two-year notes edged 2 basis points lower to 3.5046%, while the yield on 10-year bonds stood at 3.2556%, compared with its previous close of 3.2650%.

Gold was slightly higher. Spot gold was traded at \$1699.19 per ounce.

Source: Thomson Reuters Refinitiv

Domestic Markets



South Africa's rand weakened on Thursday as the dollar hit a fresh two-decade high after U.S. data showed a strong economy, raising more expectations of higher interest rates from the Federal Reserve.

At 1639 GMT, the rand traded at 17.2950 against the dollar, 0.93% weaker than its previous close.

The greenback was last up 0.73% at 109.64, after hitting 109.99 earlier, its highest since June 2002.

It strengthened after a government report showed that the number of Americans filing new claims for unemployment benefits declined further last week, consistent with strong demand for workers and tight labour market conditions.

Analysts are expecting that the U.S. Federal Reserve will hike interest rates by 75 basis points at its next meeting later this month on the back of strong local economic data.

This is not only creating pressure on currencies of advanced markets, but forcing investors to flee to the safe haven U.S. from riskier markets such as South Africa.

"The South African rand is suffering at the hands of declining global risk sentiment on the back of a hawkish Federal Reserve," said Warren Venketas, analyst at forex trading firm IG.

The local currency has lost almost 16% against the dollar in the last five months from its peak of 14.4651 rand against the dollar at the start of April.

The weakening has also been led by cooling off in commodity prices.

Shares on the Johannesburg Stock Exchange (JSE) fell, weighed down by the mining index, which closed 4.51% lower.

Overall on the JSE, the Top-40 index closed down 2.01% while the broader all-share index dropped by 1.84%.

The government's benchmark 2030 bond was down in early deals, with the yield up 11 basis points to 10.550%.

Source: Thomson Reuters Refinitiv

Corona Tracker

Name	Cases - cumulative total	⇌↓	Cases - newly reported in last 7 days	Deaths - cumulative total	Deaths - newly reported in last 7 days
Global	600,555,262		4,364,978	6,472,914	13,904

Source: Thomson Reuters Refinitiv

We cannot change anything until we accept it. Condemnation does not liberate, it oppresses.

Carl Jung

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				02 September 2022	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↑	6.58	0.008	6.57	6.58
6 months	↑	6.86	0.016	6.84	6.86
9 months	↑	7.57	0.017	7.56	7.57
12 months	↑	8.02	0.017	8.00	8.02
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	↑	8.63	0.055	8.57	8.66
GC24 (Coupon 10.50%, BMK R186)	↑	8.55	0.080	8.47	8.55
GC25 (Coupon 8.50%, BMK R186)	↑	9.00	0.080	8.92	9.00
GC26 (Coupon 8.50%, BMK R186)	↑	9.06	0.080	8.98	9.06
GC27 (Coupon 8.00%, BMK R186)	↑	10.03	0.080	9.95	10.03
GC30 (Coupon 8.00%, BMK R2030)	↑	11.84	0.110	11.73	11.84
GC32 (Coupon 9.00%, BMK R213)	↑	11.97	0.110	11.86	11.97
GC35 (Coupon 9.50%, BMK R209)	↑	12.43	0.070	12.36	12.43
GC37 (Coupon 9.50%, BMK R2037)	↑	13.04	0.080	12.96	13.04
GC40 (Coupon 9.80%, BMK R214)	↑	13.39	0.060	13.33	13.39
GC43 (Coupon 10.00%, BMK R2044)	↑	13.91	0.060	13.85	13.91
GC45 (Coupon 9.85%, BMK R2044)	↑	14.43	0.060	14.37	14.43
GC48 (Coupon 10.00%, BMK R2048)	↑	14.59	0.070	14.52	14.58
GC50 (Coupon 10.25%, BMK: R2048)	↑	14.60	0.070	14.53	14.59
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	⇒	3.94	0.000	3.94	3.94
GI27 (Coupon 4.00%, BMK NCPI)	⇒	4.99	0.000	4.99	4.99
GI29 (Coupon 4.50%, BMK NCPI)	⇒	4.80	0.000	4.80	4.80
GI33 (Coupon 4.50%, BMK NCPI)	⇒	6.29	0.000	6.29	6.29
GI36 (Coupon 4.80%, BMK NCPI)	⇒	6.98	0.000	6.98	6.98
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,696	-0.85%	1,711	1,701
Platinum	↓	828	-2.10%	846	828
Brent Crude	↓	92.4	-4.28%	96.5	93.8
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,478	-1.32%	1,498	1,478
JSE All Share	↓	66,022	-1.84%	67,257	66,022
SP500	↑	3,967	0.30%	3,955	3,967
FTSE 100	↓	7,149	-1.86%	7,284	7,149
Hangseng	↓	19,597	-1.79%	19,954	19,365
DAX	↓	12,630	-1.60%	12,835	12,630
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	14,839	-0.19%	14,867	14,839
Resources	↓	58,151	-3.59%	60,314	58,151
Industrials	↓	81,947	-1.81%	83,458	81,947
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	17.27	0.93%	17.11	17.29
N\$/Pound	↑	19.94	0.26%	19.89	19.95
N\$/Euro	↓	17.18	-0.20%	17.21	17.23
US dollar/ Euro	↓	0.994	-1.12%	1.006	0.997
		Namibia		RSA	
Interest Rates & Inflation		Aug 22	Jul 22	Aug 22	Jul 22
Central Bank Rate	⇒	4.75	4.75	5.50	5.50
Prime Rate	⇒	8.50	8.50	9.00	9.00
		Jul 22	Jun 22	Jul 22	Jun 22
Inflation	↑	6.8	6.0	7.8	7.4

Notes to the table:

- The money market rates are TB rates
- “BMK” = Benchmark
- “NCPI” = Namibian inflation rate
- “Difference” = change in basis points
- Current spot = value at the time of writing
- NSX is the Overall Index, including dual listed

Source: Thomson Reuters Refinitiv

Important note: This is not a solicitation to trade and CAM will not necessarily trade at the yields and/or prices quoted above. The information is sourced from the data vendor as indicated. The levels of and changes in the yields need to be interpreted with caution due to the illiquid nature of the domestic bond market.



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