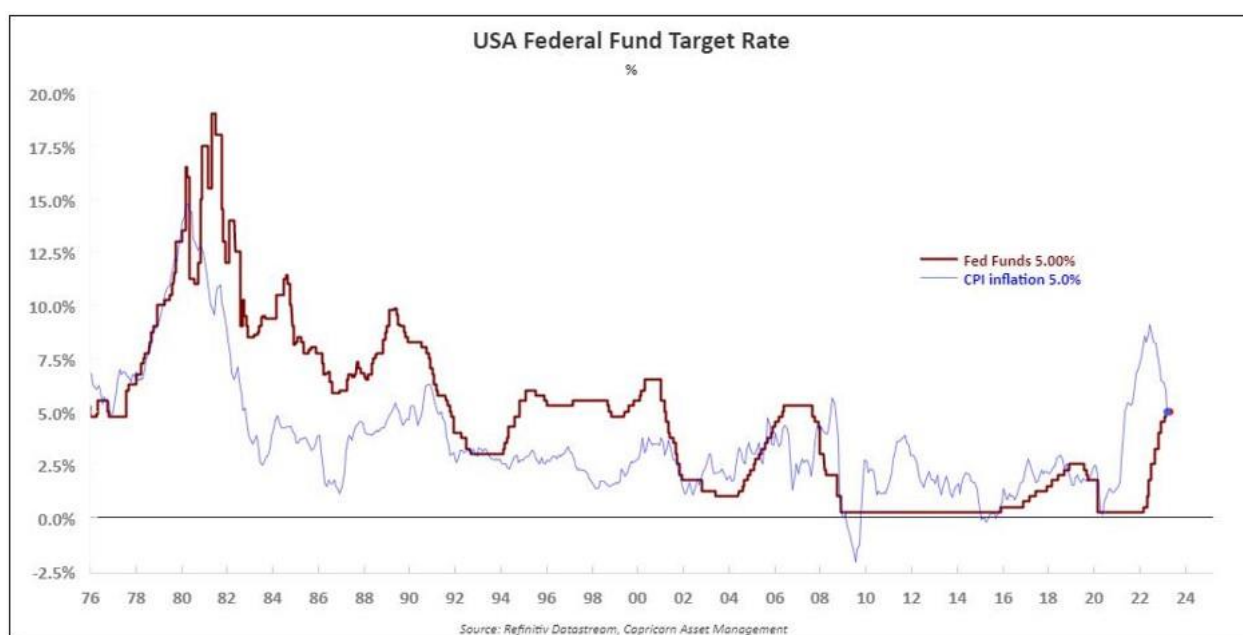




Market Update

Wednesday, 03 May 2023



Global Markets

Asia's stock markets fell in thin trade on Wednesday, as investors contended with signs of a softening U.S. economy, and were in full flight from U.S. regional lenders, ahead of an expected U.S. interest rate hike later in the day.

Holidays closed markets in China and Japan. Hong Kong's stock exchange was open and dropping, dragging MSCI's broadest index of Asia-Pacific shares, ex-Japan, down 1%.

Tumbling regional bank stocks weighed on Wall Street, and oil was also left nursing large losses with fears that banks tightening up on lending along with a slowing job market were harbingers of a looming broader slowdown.

Bonds and gold held gains. The dollar, slipping, was caught in the crosswinds of falling yields and rising nerves. S&P 500 futures edged up 0.1%; European futures rose 0.5%, but the mood was cautious with banks in the crosshairs.

On Tuesday, U.S. regionals were hammered, with PacWest Bancorp down 27.8%, Western Alliance Bancorp, down 15.1% and Comerica Inc down 12.4%.

"Short sellers, it seems, have gone to town, and as any equity trader will attest, when you know there is a wall of sellers out there, you stand aside," said Chris Weston, head of research at brokerage Pepperstone in Melbourne.

After the failures of Silicon Valley Bank and Signature Bank in March, the collapse of First Republic over the weekend has confidence in smaller lenders flagging and investors more broadly bracing for banks to tighten up lending in response.

In Europe, where the crisis of confidence forced Credit Suisse into the arms of larger rival UBS six weeks ago, banks are sharply turning off the credit taps, data on Tuesday showed, perhaps making a case for a smaller rate hike this week.

"This reinforces the idea of 25bps from the ECB this week rather than 50bps," said NatWest Markets' rates strategist Jan Nevruzi. "And also plants the seed in our mind that if that is what happened in Europe, it could be much worse here in the U.S."

EYES ON THE FED

Markets are all but certain the Federal Reserve will announce a 25 bp hike at 1800 GMT. If that happens, focus will be on whether or how hard Fed Chair Jerome Powell pushes back on investors' expectations for rate cuts by year's end.

"The hike will be a contemplative one that acknowledges heightened two-way risks and narrower path to a soft-landing," said Vishnu Varathan, head of economics at Mizuho Bank in Singapore.

Currency markets were steady and awaiting direction from the Fed, save for the New Zealand dollar which rose about 0.6% to a three-week high of \$0.6242 after strong jobs data fuelled expectations of another rate hike later this month.

The Australian dollar has given back some of the ground gained on Tuesday, following a surprise rate hike from the central bank, and sat at \$0.6664.

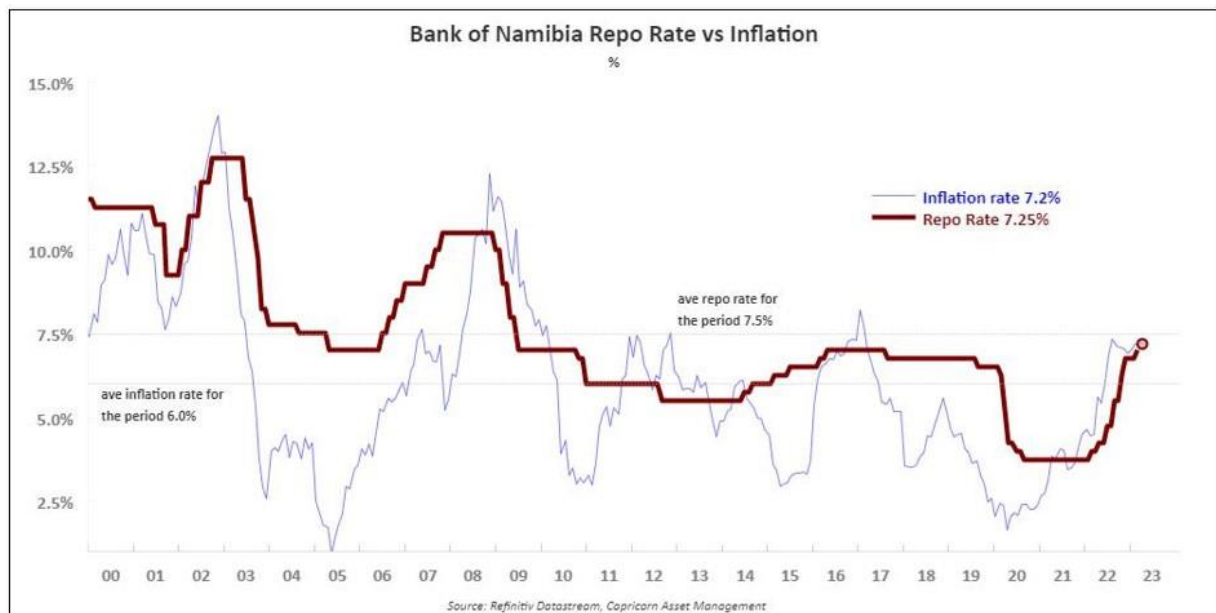
The euro nudged 0.2% higher to \$1.1023, while the yen took a breather as Japan entered its 'Golden Week' holiday season, and rose about 0.4% to 136.02 per dollar. Brent crude, which dropped 5% overnight, sat at \$75.29 a barrel.

Gold hovered above \$2,000 an ounce.

Cash Treasuries went untraded owing to the holiday in Tokyo, leaving two-year yields down 16 bps overnight to 3.9737% and 10-year yields at 3.4352%.

Investors have a wary eye on the looming U.S. debt ceiling, with lawmakers squabbling and Treasury Secretary Janet Yellen warning the government might run out of money as soon as June 1.

Yields on Treasury bills maturing around then have spiked. "Either this game is over within a few weeks or we are going to see a suspension of the debt limit until later this year," said Rabobank strategist Philip Marey. "In both cases, we are not likely to see any solution until financial markets start to panic." **Source: Thomson Reuters Refinitiv**



Domestic Markets

South Africa's rand slipped on Tuesday, with market attention this week likely to hinge on a local purchasing managers' index (PMI) survey and a U.S. Federal Reserve interest rate meeting.

At 1525 GMT, the rand traded at 18.4925 against the dollar, around 0.56% weaker than its previous close.

The U.S. currency was last down about 0.12% against a basket of currencies.

PMI surveys for the manufacturing sector and whole economy give investors further insight into the health of Africa's most industrialised economy.

South African manufacturing activity contracted again in April but less than in February and March, helped by companies building up inventories, a survey showed on Tuesday.

Investors will now turn their focus to an S&P Global PMI survey due on Thursday.

Meanwhile, the Fed is expected to deliver another 25 basis point rate hike on Wednesday.

Investors will focus on whether the U.S. central bank indicates that it expects to pause rate increases after May, or if it keeps alive the possibility of another hike in June or later.

Shares on the Johannesburg Stock Exchange fell, with the broader-all share index closing down 0.88% and the blue-chip Top-40 index ending 0.96% lower.

South Africa's benchmark 2030 government bond was slightly weaker, with the yield down 1.5 basis points to 10.195%.

Source: Thomson Reuters Refinitiv

Reading is to the mind what exercise is to the body.

Joseph Addison

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				03 May 2023	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↑	8.48	0.009	8.47	8.48
6 months	⇒	8.85	0.000	8.85	8.85
9 months	⇒	9.25	0.000	9.25	9.25
12 months	⇒	9.33	0.000	9.33	9.33
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	⇒	8.40	0.000	8.40	8.40
GC24 (Coupon 10.50%, BMK R186)	↑	9.16	0.045	9.12	9.15
GC25 (Coupon 8.50%, BMK R186)	↑	9.31	0.045	9.27	9.30
GC26 (Coupon 8.50%, BMK R186)	↑	9.21	0.045	9.17	9.20
GC27 (Coupon 8.00%, BMK R186)	↑	9.68	0.045	9.64	9.67
GC28 (Coupon 8.50%, BMK R2030)	↑	10.00	0.015	9.98	9.99
GC30 (Coupon 8.00%, BMK R2030)	↑	10.70	0.015	10.68	10.69
GC32 (Coupon 9.00%, BMK R213)	↑	11.39	0.030	11.36	11.38
GC35 (Coupon 9.50%, BMK R209)	↑	12.64	0.025	12.62	12.64
GC37 (Coupon 9.50%, BMK R2037)	↑	13.08	0.025	13.06	13.08
GC40 (Coupon 9.80%, BMK R214)	↑	13.18	0.045	13.13	13.18
GC43 (Coupon 10.00%, BMK R2044)	↑	13.94	0.030	13.91	13.95
GC45 (Coupon 9.85%, BMK R2044)	↑	13.84	0.030	13.81	13.85
GC48 (Coupon 10.00%, BMK R2048)	↑	13.98	0.025	13.96	13.99
GC50 (Coupon 10.25%, BMK: R2048)	↑	14.08	0.025	14.06	14.09
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	⇒	3.29	0.000	3.29	3.29
GI27 (Coupon 4.00%, BMK NCPI)	⇒	3.59	0.000	3.59	3.59
GI29 (Coupon 4.50%, BMK NCPI)	↑	5.14	0.017	5.12	5.14
GI33 (Coupon 4.50%, BMK NCPI)	⇒	6.13	0.000	6.13	6.13
GI36 (Coupon 4.80%, BMK NCPI)	⇒	6.43	0.000	6.43	6.43
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	2,016	1.73%	1,982	2,018
Platinum	↑	1,066	1.50%	1,050	1,064
Brent Crude	↓	75.3	-5.03%	79.3	75.5
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,548	-1.43%	1,570	1,548
JSE All Share	↓	77,533	-0.88%	78,218	77,533
SP500	↓	4,120	-1.16%	4,168	4,120
FTSE 100	↓	7,773	-1.24%	7,871	7,773
Hangseng	↑	19,934	0.20%	19,895	19,639
DAX	↓	15,727	-1.23%	15,922	15,727
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	15,548	-0.94%	15,695	15,548
Resources	↓	68,269	-1.06%	69,000	68,269
Industrials	↓	105,057	-0.92%	106,037	105,057
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	18.46	0.95%	18.29	18.42
N\$/Pound	↑	23.01	0.69%	22.86	23.03
N\$/Euro	↑	20.31	1.18%	20.07	20.32
US dollar/ Euro	↑	1.100	0.22%	1.098	1.103
Interest Rates & Inflation		Namibia		RSA	
		Apr 23	Mar 23	Apr 23	Mar 23
Central Bank Rate	↑	7.25	7.00	7.75	7.75
Prime Rate	↑	11.00	10.75	11.25	10.75
		Mar 23	Feb 23	Mar 23	Feb 23
Inflation	⇒	7.2	7.2	7.1	7.0

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 listeds

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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