



Market Update

Monday, 05 December 2022



Global Markets

Asian shares extended their rally on Monday as investors hoped steps to unwind pandemic restrictions in China would eventually brighten the outlook for global growth and commodity demand, nudging the dollar down against the yuan. The news helped oil prices firm as OPEC+ nations reaffirmed their output targets ahead of a European Union ban and price caps on Russian crude, which begin on Monday.

More Chinese cities announced an easing of coronavirus curbs on Sunday as Beijing tries to make its zero-COVID policy less onerous after recent unprecedented protests against restrictions. There were also reports Beijing might lower the threat classification for COVID-19. "While the easing of some restrictions does not equate to a wholesale shift away from the dynamic COVID zero strategy just yet, it is further evidence of a shifting approach and financial markets look to be firmly focused on the longer term outlook over the near-term hit to activity as virus cases look set to continue," said Taylor Nugent, an economist at NAB.

Chinese blue chips gained 1.1%, on top of last week's 2.5% bounce. MSCI's broadest index of Asia-Pacific shares outside Japan added 1.2%, after rallying 3.7% last week to a three-month top. Japan's Nikkei N225 edged up 0.2%, while South Korea KS11 gained 0.3%. EUROSTOXX 50 futures added 0.1%, while FTSE futures were flat. S&P 500 futures and Nasdaq futures both fell 0.1%.

Wall Street had lost some momentum on Friday after November's robust U.S. payrolls report challenged hopes for a less aggressive Federal Reserve, though Treasuries still ended last week with solid gains. Indeed, 10-year note yields have fallen 74 basis points since early November, effectively undoing much of the tightening of the Fed's last outsized increase in cash rates. Markets are wagering Fed rates will top out at 5% and the European Central Bank around 2.5. "But U.S. and Euro area labour demand remain surprisingly strong, and alongside a recent easing in financial conditions, the risks are shifting toward higher-than-anticipated terminal rates for both the Fed and the ECB," warns Bruce Kasman, head of economic research at JPMorgan. "The combination of labour market resilience with sticky wage inflation adds to the risk that the Fed will deliver a higher than 5% rate forecast at its upcoming meeting and that Chair Jerome Powell's press conference will shift to more open-ended guidance regarding any near-term ceiling on rates."

The Fed meets on Dec. 14 and the ECB the day after. Speaking on Sunday, French central bank chief Francois Villeroy de Galhau said he favoured a hike of half a point next week. Central banks in Australia, Canada and India are all expected to raise their rates at meetings this week.

The steep decline in U.S. yields has taken a toll on the dollar, which fell 1.4% last week on a basket of currencies to its lowest since June. It lost 3.5% on the yen alone and last traded at 134.24, leaving October's peak of 151.94 a distant memory. The euro resumed its rise to \$1.0569, having added 1.3% last week to its highest since early July. The dollar also slipped under 7.0 yuan in offshore trade to hit the lowest in three months at 6.9677. The drop in the dollar and yields has been a boon for gold, which was up 0.5% at a four-month peak of \$1,806 an ounce after rising 2.3% last week.

Oil prices bounced after OPEC+ agreed to stick to its oil output targets at a meeting on Sunday. The Group of Seven and European Union states are due on Monday to impose a \$60 per barrel price cap on Russian seaborne oil, though it was not yet clear what impact this would have on global supply and prices. Brent gained \$1.67 to \$87.24 a barrel, while U.S. crude rose \$1.46 to \$81.44 per barrel.

Source: Reuters Refinitiv

Domestic Markets



The rand and South African sovereign bond prices ticked higher on Friday, while stocks fell, after ruling party officials failed to reach a conclusion over whether President Cyril Ramaphosa should stay in power after an inquiry found evidence of misconduct. Ramaphosa's political future still hangs in the balance, with the national executive of his governing African National Congress (ANC) party set to reconvene to discuss the report before December 6, when parliament will debate it. Senior figures considered to be allies of the president closed ranks around him on Friday. Finance Minister Enoch Godongwana told Reuters he thought Ramaphosa should continue in his job, doing whatever he could to defend himself.

Thursday's steep market sell-off relented on Friday, although assets pared gains later in the day. The rand was up 0.36% at 17.4875 against the dollar, although it had strengthened to 17.265 earlier in the day. "Our base case is for policy continuity over the medium term that will likely limit the risks to macro (and fiscal) policy," wrote Goldman Sachs economist Andrew Matheny in a client note. He said the call is based on policy proposals presented at the ANC policy conference "and underpinned by our expectation that any new party leadership ... will have views on economic policy that are not likely to differ significantly from those of the current administration." Matheny added that a drawn-out leadership crisis could further weigh on the South African currency.

On Thursday, the rand plunged more than 4% at one stage, after news website News24 said Ramaphosa was likely to resign within hours, before cutting losses to end about 2% weaker. Rand volatility gauges have also soared, especially the 1-week gauge, which on Thursday and earlier on Friday was at its highest levels since the peak of COVID fears in early 2020, before falling back slightly. "Given that (Ramaphosa is) not resigning immediately ... plus, given that he has a more business-friendly profile than many other(s), markets are pinning their hopes on him staying in office," said Per Hammarlund, chief emerging markets strategist at SEB in Sweden.

South Africa's bonds also staged a partial recovery, but lost some gains later in the day. Longer-dated sovereign dollar-denominated bonds that had fallen furthest rebounded the most. At 1522

GMT, the 2047 maturity was up 1.1 cents to 73.986 cents in the dollar, Tradeweb data showed. The local 10-year benchmark also recovered some of Thursday's losses, which were the biggest since the COVID market rout of early 2020. The yield closed down 13.5 basis points at 10.805%, having fallen as much as 33.5 bps during the day.

Shares in Johannesburg closed lower, however, after having risen slightly in the previous session. The all-share index and the top 40 index were down 0.9%. An index of bank shares jumped 1.4% after falling over 8% on Thursday. Consumer goods company Premier Group shelved its planned December 8 listing on the stock market, with owner Brait Plc citing capital market conditions, particularly over the previous two days.

ALL OPTIONS

"I want to tell the markets that people must be calm and be relaxed ... the macroeconomic framework remains," finance minister Godongwana said in a phone interview with Reuters. He said that if Ramaphosa were to resign Godongwana would stay in his job. "If the new president wants my service, I will continue," he added.

Ramaphosa's spokesperson had told reporters on Thursday the president still had "all options on the table" over the panel report, and was still consulting a broad range of people over the next steps. The panel investigated allegations that thieves found and stole millions of dollars of cash stuffed into furniture at Ramaphosa's game farm in 2020. The theft, which only came to light in June, has raised questions about how Ramaphosa, who came to power on the promise to fight graft, acquired the money and whether he declared it. The president has said a much smaller amount of money - the proceeds of game sales - was taken. He has denied any wrongdoing and has not been charged with any crimes.

On Friday, ANC Chairman Gwede Mantashe told public broadcaster SABC that the party had a responsibility to reassure markets and society, pointing to the rand plunge of the previous day as a reason for Ramaphosa to stay on. "What concerns investors are when institutions are being eroded, and I think South Africa has shown time and again that the judiciary remains quite robust, our parliament remains quite robust," said Lumkile Mondi, an economics lecturer at the University of the Witwatersrand. "Hence, (the process) that has put the president in this position that is very unpalatable, not only for investors, but for all of us because it creates uncertainty."

Source: Reuters Refinitiv

Don't judge each day by the harvest you reap but by the seeds that you plant.

Robert Louis Stevenson

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				05 December 2022	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↑	8.02	0.017	8.00	8.02
6 months	↑	8.00	0.058	7.94	8.00
9 months	↑	8.53	0.092	8.44	8.53
12 months	↑	8.78	0.125	8.66	8.78
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	↓	8.97	-0.025	8.99	8.97
GC24 (Coupon 10.50%, BMK R186)	↓	8.71	-0.070	8.78	8.71
GC25 (Coupon 8.50%, BMK R186)	↓	9.16	-0.070	9.23	9.16
GC26 (Coupon 8.50%, BMK R186)	↓	9.22	-0.070	9.29	9.22
GC27 (Coupon 8.00%, BMK R186)	↓	10.19	-0.070	10.26	10.19
GC30 (Coupon 8.00%, BMK R2030)	↓	12.10	-0.130	12.23	12.10
GC32 (Coupon 9.00%, BMK R213)	↓	12.26	-0.150	12.41	12.26
GC35 (Coupon 9.50%, BMK R209)	↓	12.88	-0.210	13.09	12.88
GC37 (Coupon 9.50%, BMK R2037)	↓	13.49	-0.205	13.70	13.49
GC40 (Coupon 9.80%, BMK R214)	↓	13.78	-0.215	14.00	13.74
GC43 (Coupon 10.00%, BMK R2044)	↓	14.32	-0.215	14.54	14.32
GC45 (Coupon 9.85%, BMK R2044)	↓	14.84	-0.215	15.06	14.84
GC48 (Coupon 10.00%, BMK R2048)	↓	14.95	-0.225	15.18	14.95
GC50 (Coupon 10.25%, BMK: R2048)	↓	14.96	-0.225	15.19	14.96
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	↑	3.90	1.100	2.80	3.90
GI27 (Coupon 4.00%, BMK NCPI)	↑	3.95	0.018	3.93	3.95
GI29 (Coupon 4.50%, BMK NCPI)	↑	5.18	0.056	5.13	5.18
GI33 (Coupon 4.50%, BMK NCPI)	↔	5.93	0.000	5.93	6.25
GI36 (Coupon 4.80%, BMK NCPI)	↓	6.80	-0.100	6.90	6.56
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,798	-0.28%	1,803	1,809
Platinum	↓	1,014	-2.60%	1,041	1,019
Brent Crude	↓	85.6	-1.51%	86.9	86.3
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,680	-0.84%	1,694	1,680
JSE All Share	↓	74,323	-0.93%	75,020	74,323
SP500	↓	4,072	-0.12%	4,077	4,072
FTSE 100	↓	7,556	-0.03%	7,558	7,556
Hangseng	↓	18,675	-0.33%	18,736	19,321
DAX	↑	14,529	0.27%	14,490	14,529
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	15,398	0.81%	15,274	15,398
Resources	↓	74,020	-2.59%	75,989	74,020
Industrials	↓	91,592	-0.62%	92,168	91,592
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	17.48	-0.59%	17.59	17.51
N\$/Pound	↓	21.48	-0.21%	21.53	21.61
N\$/Euro	↓	18.42	-0.43%	18.50	18.53
US dollar/ Euro	↑	1.054	0.15%	1.052	1.058
		Namibia		RSA	
Interest Rates & Inflation		Nov 22	Oct 22	Nov 22	Oct 22
Central Bank Rate	↑	6.75	6.25	7.00	6.25
Prime Rate	↑	10.50	10.00	10.50	9.75
		Oct 22	Sep 22	Oct 22	Sep 22
Inflation	↔	7.1	7.1	7.6	7.5

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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