



Market Update

Monday, 05 September 2022



Global Markets

European stock futures slid on Monday while the euro took a fresh spill after Russia shut a major gas pipeline to Europe, leading some governments there to announce emergency measures to ease the pain of soaring energy prices.

The euro lost 0.5% to a two-decade low of \$0.9900 as markets priced in more risk of a European recession, while

EUROSTOXX 50 futures shed 3.0% and FTSE futures 1.0%.

Germany announced plans to spend 65 billion euros (\$64.7 billion) on shielding customers and businesses from rising costs, while Finland and Sweden offered liquidity guarantees to keep power companies open.

Oil prices jumped along with the whole energy complex as a holiday in U.S. markets made for thin trading conditions. News of more coronavirus lockdowns in China only added to the jittery mood, with blue chips down 0.6%.

MSCI's broadest index of Asia-Pacific shares outside Japan eased 0.6%, and Japan's Nikke was off a fraction.

Wall Street fared a bit better having already dropped late on Friday, with S&P 500 futures edging up 0.2% and Nasdaq futures 0.1%.

The energy crisis is an added complication for the European Central Bank (ECB) as it meets this week to consider how much to raise interest rates.

"Europe is faced with a dire energy outlook, with numerous anecdotes of firms cutting back production," said Tapas Strickland, head of market economics at NAB.

"The ECB will undoubtedly decide to hike rates this week," he added "Markets are close to fully pricing in a 75bp hike after numerous ECB officials said they were leaning that way, though there is still likely to be a debate around 50 v 75."

EURO, STERLING STRUGGLE

Central banks in Canada and Australia are also expected to raise interest rates this week, while Federal Reserve Chair Jerome Powell and several other policy makers will make appearances and are likely to sound hawkish on inflation.

While the August U.S. jobs report showed some welcome signs of cooling in the labour market, investors are still leaning toward a hike of 75 basis points from the Fed this month.

The two-year U.S. Treasury yield did fall almost 12 basis points on Friday and futures were trading flat on Monday amid general risk aversion.

The shift to safety again benefited the U.S. dollar, which hit another two-decade high on a basket of major currencies at 110.090.

The dollar was holding at 140.33 yen, just short of Friday's 24-year top of 140.80.

Sterling was struggling at \$1.1468, after diving as deep as \$1.1458 and levels last seen in March 2020 at the start of the pandemic. A break of \$1.1412/13 would take it to depths not seen since 1985.

"We now expect the EUR/USD and GBP/USD rates to reach \$0.90 and \$1.05 respectively next year as the economic slowdown and the terms of trade shock hitting the region take their toll," said Jonas Goltermann, a senior economist at Capital Economics.

British foreign minister Liz Truss said on Sunday she would set out immediate action in her first week in power to tackle rising energy bills and increase energy supplies if she is, as expected, appointed prime minister on Monday.

The strong dollar kept gold flat at \$1,711 an ounce.

Oil prices were supported by expectations gas prices would leap in Europe later in the day.

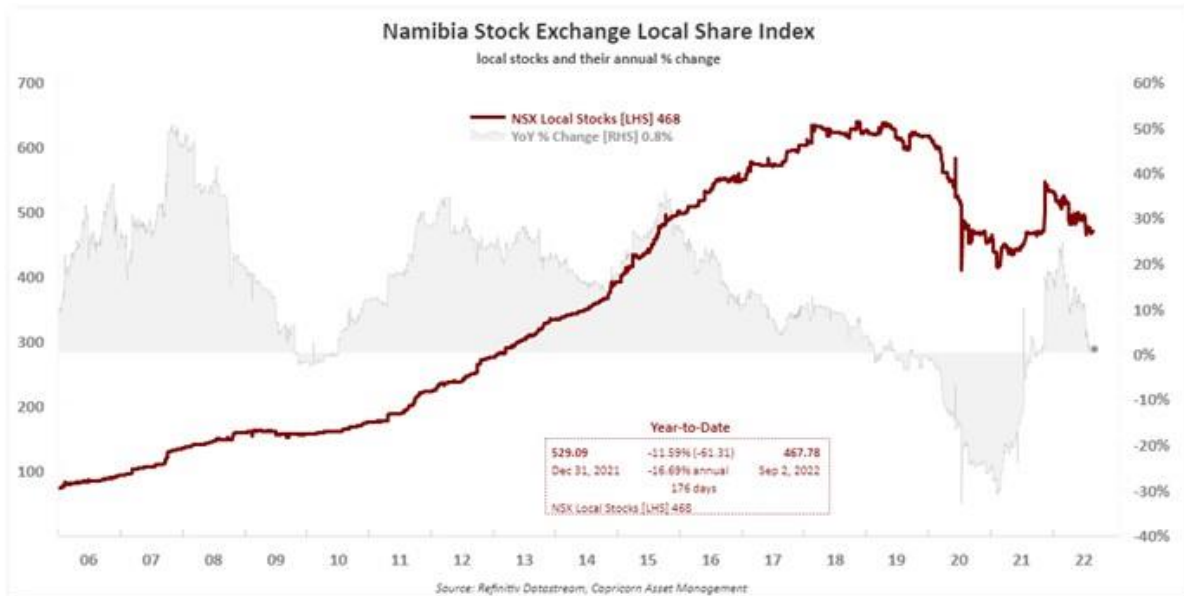
"Ultimately, Germany would need to cut natural gas consumption by 15% to keep gas storage facilities from running empty," said analysts at ANZ. "Gas rationing looks very likely, as even at 95% full, storage would only last 2.5 months."

OPEC+ is meeting on Monday and is likely to keep oil output quotas unchanged for October, although some sources would not rule out a small production cut to bolster prices that have slid due to fears of an economic slowdown.

Brent climbed \$2.12 to \$95.15, while U.S. crude rose \$1.88 to \$88.75 per barrel.

Source: Thomson Reuters Refinitiv

Domestic Markets



The South African rand strengthened against the dollar on Friday, after the U.S. currency edged back from a two-decade peak as traders digested a U.S. jobs report.

At 1527 GMT, the rand traded at 17.2200 against the dollar, 0.3% stronger than its previous close.

Nonfarm payrolls rose by 315,000 jobs in August, U.S. data showed, topping the consensus forecast of 300,000 jobs by economists polled by Reuters.

The dollar index, which tracks the currency against six rivals, was last down 0.54% at 109.00 after erasing a chunk of losses it endured earlier.

Emerging market currencies such as the rand tend to take cues from global drivers in the absence of major local economic data points.

On the local front next week, investor focus will be on the second-quarter gross domestic product (GDP) figures, a purchasing managers' index (PMI) survey and manufacturing data among others, which could give clues on the health of the economy.

Investec analyst Lara Hodes said in a research note she expected second-quarter GDP to have contracted due to the effects of severe floods in the KwaZulu-Natal province.

Shares on the Johannesburg Stock Exchange (JSE) ended higher, helped by companies in the energy and basic materials sector as oil and gold prices rose.

Overall on the stock market, the Top-40 index closed 2.25% higher, while the broader all-share ended up 2.05%.

The government's benchmark 2030 bond gained, with the yield down 22.5 basis points to 10.325%.

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	601,189,435		4,232,174	6,475,346	13,717

Source: Thomson Reuters Refinitiv

Though we travel the world over to find the beautiful, we must carry it with us or we find it not.

Ralph Waldo Emerson

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				05 September 2022	
Money Market TB Rates %					
		Last close	Difference	Prev close	Current Spot
3 months	⇒	6.58	0.000	6.58	6.58
6 months	↑	6.88	0.017	6.86	6.88
9 months	↑	7.60	0.025	7.57	7.60
12 months	↑	8.08	0.058	8.02	8.08
Nominal Bond Yields %					
		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	↑	8.66	0.030	8.63	8.67
GC24 (Coupon 10.50%, BMK R186)	↓	8.34	-0.205	8.55	8.39
GC25 (Coupon 8.50%, BMK R186)	↓	8.79	-0.205	9.00	8.84
GC26 (Coupon 8.50%, BMK R186)	↓	8.85	-0.205	9.06	8.90
GC27 (Coupon 8.00%, BMK R186)	↓	9.82	-0.205	10.03	9.87
GC30 (Coupon 8.00%, BMK R2030)	↓	11.62	-0.225	11.84	11.67
GC32 (Coupon 9.00%, BMK R213)	↓	11.75	-0.225	11.97	11.80
GC35 (Coupon 9.50%, BMK R209)	↓	12.22	-0.210	12.43	12.28
GC37 (Coupon 9.50%, BMK R2037)	↓	12.83	-0.215	13.04	12.88
GC40 (Coupon 9.80%, BMK R214)	↓	13.17	-0.220	13.39	13.23
GC43 (Coupon 10.00%, BMK R2044)	↓	13.69	-0.225	13.91	13.74
GC45 (Coupon 9.85%, BMK R2044)	↓	14.21	-0.225	14.43	14.26
GC48 (Coupon 10.00%, BMK R2048)	↓	14.36	-0.235	14.59	14.41
GC50 (Coupon 10.25%, BMK: R2048)	↓	14.37	-0.235	14.60	14.42
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	↑	1,711	0.91%	1,696	1,713
Platinum	↑	835	0.80%	828	837
Brent Crude	↑	93.0	0.71%	92.4	95.0
Main Indices					
		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,502	1.68%	1,478	1,502
JSE All Share	↑	67,378	2.05%	66,022	67,378
SP500	↓	3,924	-1.07%	3,967	3,924
FTSE 100	↑	7,281	1.86%	7,149	7,281
Hangseng	↓	19,452	-0.74%	19,597	19,162
DAX	↑	13,050	3.33%	12,630	13,050
JSE Sectors					
		Last close	Change	Prev close	Current Spot
Financials	↑	15,066	1.53%	14,839	15,066
Resources	↑	60,275	3.65%	58,151	60,275
Industrials	↑	83,360	1.72%	81,947	83,360
Forex					
		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	17.28	0.06%	17.27	17.41
N\$/Pound	↓	19.89	-0.26%	19.94	19.94
N\$/Euro	↑	17.20	0.13%	17.18	17.21
US dollar/ Euro	↑	0.995	0.07%	0.994	0.989
Namibia					
RSA					
Interest Rates & Inflation					
		Aug 22	Jul 22	Aug 22	Jul 22
Central Bank Rate	↑	5.50	4.75	5.50	5.50
Prime Rate	↑	9.25	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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