



## Market Update

Monday, 08 August 2022



## Global Markets

Asian share markets were mostly softer on Monday and the dollar held firm after a stunning U.S. payrolls report pushed back against talk of recession but also bolstered the case for more super-sized rate hikes.

Markets quickly moved to price around a 70% chance the Federal Reserve will lift rates by 75 basis points in September, sending two-year yields up 20 basis points on Friday and further inverting the curve. The blockbuster data only raised the stakes for the July U.S. consumer prices report due on Wednesday, which could see a slight pullback in headline growth, but likely a further acceleration in core inflation.

"Despite sluggish growth and an expected slide to a 0.2% m/m July CPI gain, the Fed will likely raise policy rates 75 bps at its September meeting," said Bruce Kasman, head of economic research at JPMorgan. "The key question is whether it will decide that a material rise in the unemployment rate is necessary to achieve its objectives," he warned. "If this is the case, its guidance on rates will move

significantly higher, alongside a message that it will likely prove to be less sensitive to near-term growth disappointments."

The risk haunted equity markets with S&P 500 futures and Nasdaq futures both down 0.2%. MSCI's broadest index of Asia-Pacific shares outside Japan dipped 0.5%, after three sessions of gains. Japan's Nikkei was flat and South Korea's KOSPI dipped 0.2%, while Chinese blue chips eased 0.1%. EUROSTOXX 50 futures fared better and added 0.4%, while FTSE futures rose 0.2%.

There was little obvious market reaction to news that the U.S. Senate on Sunday passed a sweeping \$430 billion bill intended to fight climate change after some compromises on taxation within the deal. "The changes look unlikely to substantially change the net fiscal impact of the legislation, which continues to look likely to be less than 0.1% of GDP for the next several years, as new spending and new taxes roughly offset," said analysts at Goldman Sachs.

Two-year Treasury yields were up at 3.25%, fully 40 basis points above 10-year yields. Bonds also got a safe-haven bid due to unease over Beijing's sabre rattling against Taiwan as China conducts four days of military exercises around the island. Chinese data out over the weekend showed exports picked up unexpectedly in July with a gain of 18%, while imports lagged with a rise of just 2.3%.

The jobs boom combined with the jump in yields to bolster the U.S. dollar, which was up at 106.640 against a basket of currencies having gained 0.8% on Friday. "This key data point is a million miles from a current recession, both on a change of employment, and a levels of unemployment basis," said Alan Ruskin, global head of G10 FX strategy at Deutsche Bank. "Data like this will further any thoughts about 'U.S. exceptionalism' and is very positive for the USD against all currencies."

The dollar held at 135.27 yen after jumping 1.6% on Friday, while the euro was struggling at \$1.0173 and not far from chart support around \$1.0095. The single currency was not helped by news Moody's had cut Italy's outlook to negative as Prime Minister Mario Draghi's resignation shook the country's political landscape.

The rise in the dollar was a setback for gold, though it had managed to bounce from the lows hit on Friday to stand at \$1,773. Oil prices continued their recent retreat after suffering the worst week since April on worries about stalling global demand as central banks keep tightening. Brent lost 11 cents to \$94.81, while U.S. crude eased 13 cents to \$88.88 per barrel.

**Source: Thomson Reuters Refinitiv**

## Domestic Markets



The South African rand slumped on Friday against a buoyed dollar after the U.S. July employment report came in better than expected, raising the prospect for a large interest rate hike by the Federal Reserve at its next meeting to tame soaring inflation. Data showed nonfarm payrolls increased by 528,000 jobs last month, the largest gain since February, while analysts were expecting an increase of 250,000 jobs.

At 1525 GMT, the rand traded at 16.7800 against the dollar, down 1.07% from its previous close. The dollar index, which tracks the currency against six major rivals, was last up more than 1% at 106.84.

There have been few major domestic economic data releases this week, with local investor attention instead pinned on global drivers including the outlook for U.S. monetary policy and the risk of a global recession. Among the data points, central bank figures on Friday showed South Africa's reserves dipped to \$53.737 billion in July from \$53.813 billion in June.

Stocks on the Johannesburg Stock Exchange (JSE) rose on Friday, partly helped by companies in the mining sector including AngloGold Ashanti Ltd, which jumped 4.37% after reporting an increase in half-year production. Overall, on the JSE, the benchmark all-share index closed 1.17% higher at 69,519 points, while the blue-chip index of top 40 companies ended up 1.26% at 63,114 points.

The South African government's benchmark 2030 bond fell, with the yield up 6.5 basis points to 10.285%.

**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	579,092,623		6,289,060	6,407,556	14,743

Source: Thomson Reuters Refinitiv

Simplicity is the ultimate sophistication.

Jeff Rich

## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				08 August 2022	
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	→	6.53	0.000	6.53	6.53
6 months	→	6.76	0.000	6.76	6.76
9 months	↓	7.48	-0.042	7.52	7.48
12 months	↓	7.83	-0.050	7.88	7.83
<b>Nominal Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC23 (Coupon 8.85%, BMK R2023)	↑	8.60	0.005	8.59	8.60
GC24 (Coupon 10.50%, BMK R186)	↑	8.40	0.090	8.31	8.40
GC25 (Coupon 8.50%, BMK R186)	↑	8.85	0.090	8.76	8.85
GC26 (Coupon 8.50%, BMK R186)	↑	8.91	0.090	8.82	8.91
GC27 (Coupon 8.00%, BMK R186)	↑	9.88	0.090	9.79	9.88
GC30 (Coupon 8.00%, BMK R2030)	↑	11.58	0.100	11.48	11.58
GC32 (Coupon 9.00%, BMK R213)	↑	11.70	0.090	11.61	11.71
GC35 (Coupon 9.50%, BMK R209)	↑	12.14	0.095	12.04	12.14
GC37 (Coupon 9.50%, BMK R2037)	↑	12.75	0.090	12.66	12.76
GC40 (Coupon 9.80%, BMK R214)	↑	13.08	0.090	12.99	13.08
GC43 (Coupon 10.00%, BMK R2044)	↑	13.60	0.085	13.51	13.60
GC45 (Coupon 9.85%, BMK R2044)	↑	14.12	0.085	14.03	14.12
GC48 (Coupon 10.00%, BMK R2048)	↑	14.29	0.085	14.21	14.30
GC50 (Coupon 10.25%, BMK: R2048)	↑	14.30	0.085	14.22	14.31
<b>Inflation-Linked Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GI22 (Coupon 3.55%, BMK NCPI)	→	3.55	0.000	3.55	0.00
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)	→	4.85	0.000	4.85	4.85
GI33 (Coupon 4.50%, BMK NCPI)	→	6.52	0.000	6.52	6.52
GI36 (Coupon 4.80%, BMK NCPI)	→	7.28	0.000	7.28	7.28
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↓	1,774	-0.95%	1,791	1,774
Platinum	↑	932	0.61%	926	925
Brent Crude	↑	94.9	0.85%	94.1	95.7
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	↑	1,581	2.28%	1,546	1,581
JSE All Share	↑	69,519	1.17%	68,717	69,519
SP500	↓	4,145	-0.16%	4,152	4,145
FTSE 100	↓	7,440	-0.11%	7,448	7,440
Hangseng	↑	20,202	0.14%	20,174	19,990
DAX	↓	13,574	-0.65%	13,663	13,574
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↑	15,675	1.88%	15,386	15,675
Resources	↑	64,042	2.51%	62,475	64,042
Industrials	↑	84,928	0.28%	84,687	84,928
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↑	16.76	0.95%	16.60	16.77
N\$/Pound	↑	20.23	0.20%	20.19	20.26
N\$/Euro	↑	17.06	0.31%	17.01	17.08
US dollar/ Euro	↓	1.018	-0.61%	1.024	1.019
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>Jul 22</b>	<b>Jun 22</b>	<b>Jul 22</b>	<b>Jun 22</b>
Central Bank Rate	↑	4.75	4.25	5.50	4.75
Prime Rate	↑	8.50	8.00	9.00	8.25
		<b>Jun 22</b>	<b>May 22</b>	<b>Jun 22</b>	<b>May 22</b>
Inflation	↑	6.0	5.4	7.4	6.5

**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

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**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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