

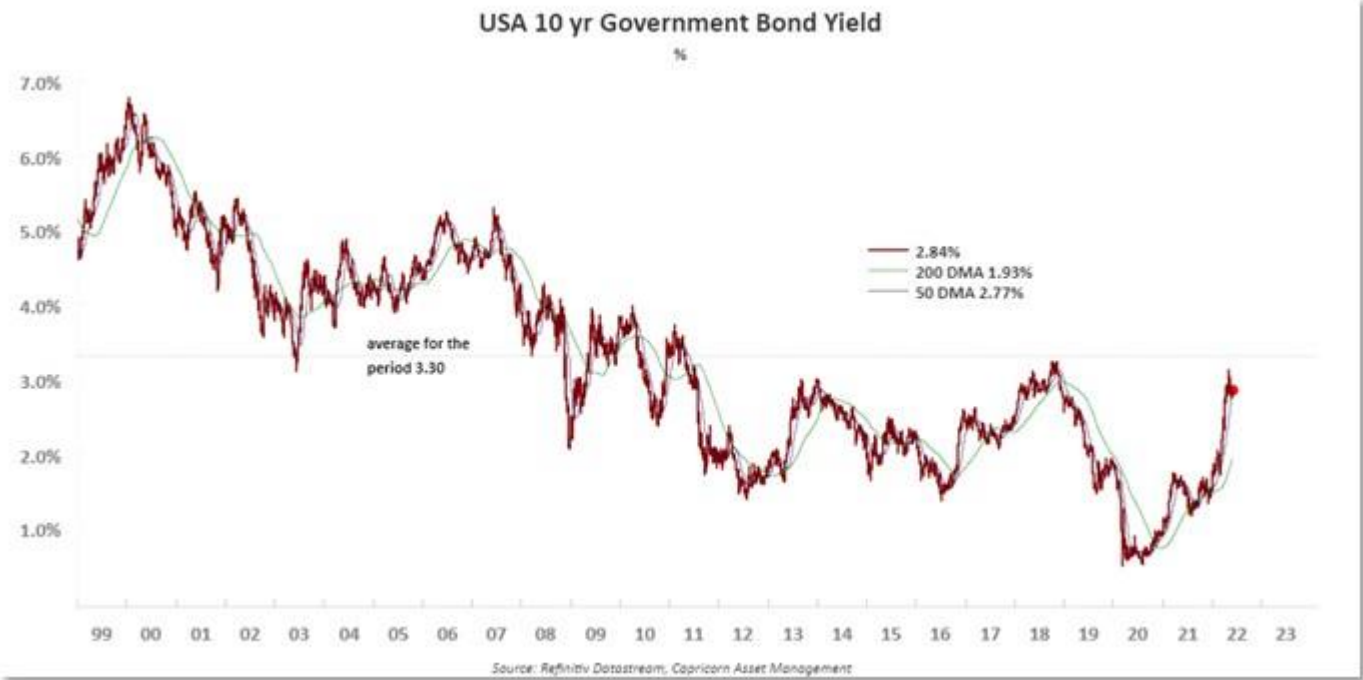


The Daily Brief

Capricorn Asset Management

Market Update

Wednesday, 1 June 2022



Global Markets

Stocks steadied in Asia on Wednesday as Shanghai emerged blinking from two months of lockdown and a dip in oil prices dangled the prospect of a respite from rising energy prices, but nerves about inflation kept investors and bond markets on edge. Soaring food and energy costs drove eurozone inflation to a record-high 8.1% in May, overnight data showed, beating market expectations and stoking concern about rate rises not just in Europe but globally.

Two-year German bund yields hit their highest in over a decade as investors sold out. Benchmark 10-year Treasury yields rose 10 basis points (bps) and were up a further 2.5 bps to 2.8749% early in the Asia session. MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.1% and Japan's Nikkei rose 0.5%.

S&P 500 futures bounced 0.5% after the index slid 0.6% on Tuesday. The U.S. dollar, meanwhile, has steadied after sliding in the second half of May and it rose slightly against the euro and the yen in early trade on Wednesday. The U.S. Federal Reserve begins shrinking assets holdings built up during

the pandemic on Wednesday and traders expect it will raise rates by 50 bps at meetings this month and next.

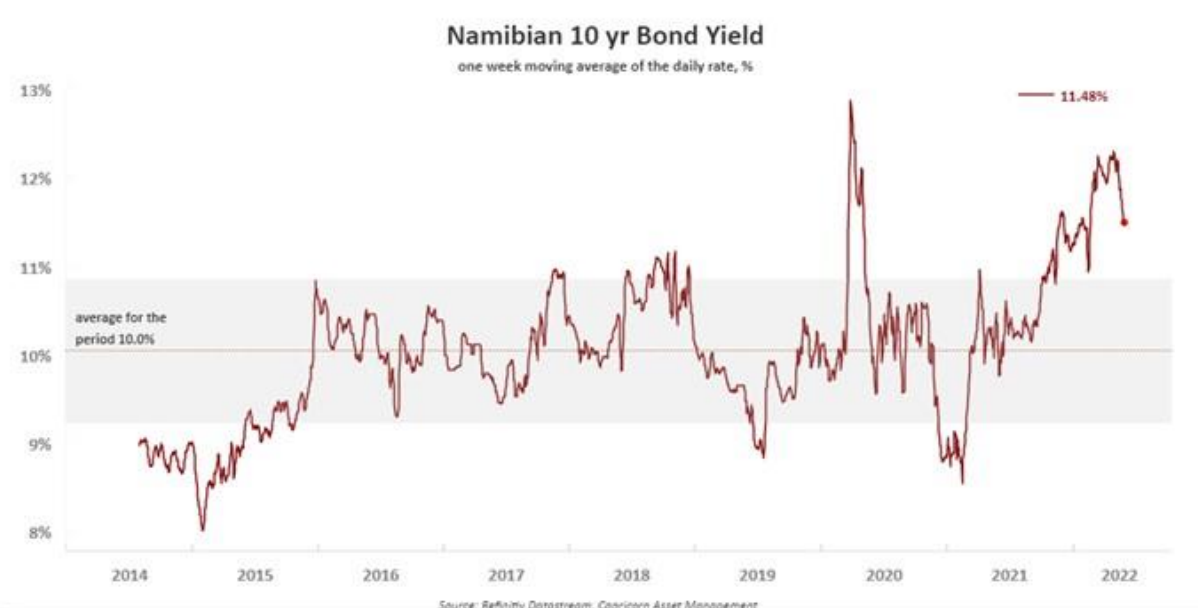
"Markets are pricing in rate hikes in June from the UK, U.S., Sweden, Australia and Canada," said Societe Generale analyst Kit Juckes. "The more the markets focus on the inflation data and central bank action, the more likely it is that we have a bumpy start to the summer in risk sentiment and a strong one for the dollar." The Bank of Canada is expected to raise its benchmark target rate 50 bps to 1.5% when it meets later in the day. Australian economic growth slowed in the first quarter, data showed on Wednesday, but domestic demand helped it come in a bit better than expected, setting the scene for more hikes in interest rates.

A little relief from an overnight pullback in oil prices and hope that China's slowdown might be nearing its nadir have helped to check investors' worries. Following two months of frustration, despair and economic loss, a draconian lockdown of Shanghai's 25 million residents ended at midnight. Small groups in the city's former French Concession whistled and shouted: "ban lifted". Chinese factory activity data for May, released on Tuesday, wasn't as bad as traders feared either and showed the pace of contraction had slowed down. "Compared to a couple of weeks ago it is a clear positive for sentiment," said Westpac analyst Sean Callow, adding, however, that inflation was among other "clear negatives". Stocks in Hong Kong and Shanghai hung on to Tuesday gains and opened steady.

Currency markets were in a cautious mood and the dollar's three-week decline has paused. It stood at a two-week high of 128.18 yen on Wednesday and rose 0.2% to \$1.0709 per euro. The Aussie hovered at \$0.7172. Oil prices fell on Tuesday after the Wall Street Journal reported that oil-producing nations were considering excluding Russia from a production deal, paving the way for middle eastern countries to increase output.

Brent crude futures retreated from an almost three-month high after the report and were last steady at \$116.18 a barrel. The stronger dollar pushed spot gold a fraction lower to \$1,834 an ounce. Bitcoin clung to early-week gains at \$31,838.

Domestic Markets



The South African rand slipped on Tuesday, as the dollar bounced back supported by demand for safe havens over ongoing inflation concerns. At 1549 GMT, the rand traded at 15.6050 against the dollar, 0.89% weaker than its previous close. The dollar index strengthened as Treasury yields climbed and worries over a further acceleration in global inflation kept investors' risk appetite at bay.

The South African government on Tuesday outlined new measures to curb steeply rising domestic fuel prices and ease pressure on consumers. The National Treasury said the cost of extending the fuel levy reduction is estimated at 4.5 billion rand in foregone revenue. Data on Tuesday showed South Africa recorded a trade surplus of 15.49 billion rand in April, down from a revised surplus of 47.20 billion rand in March.

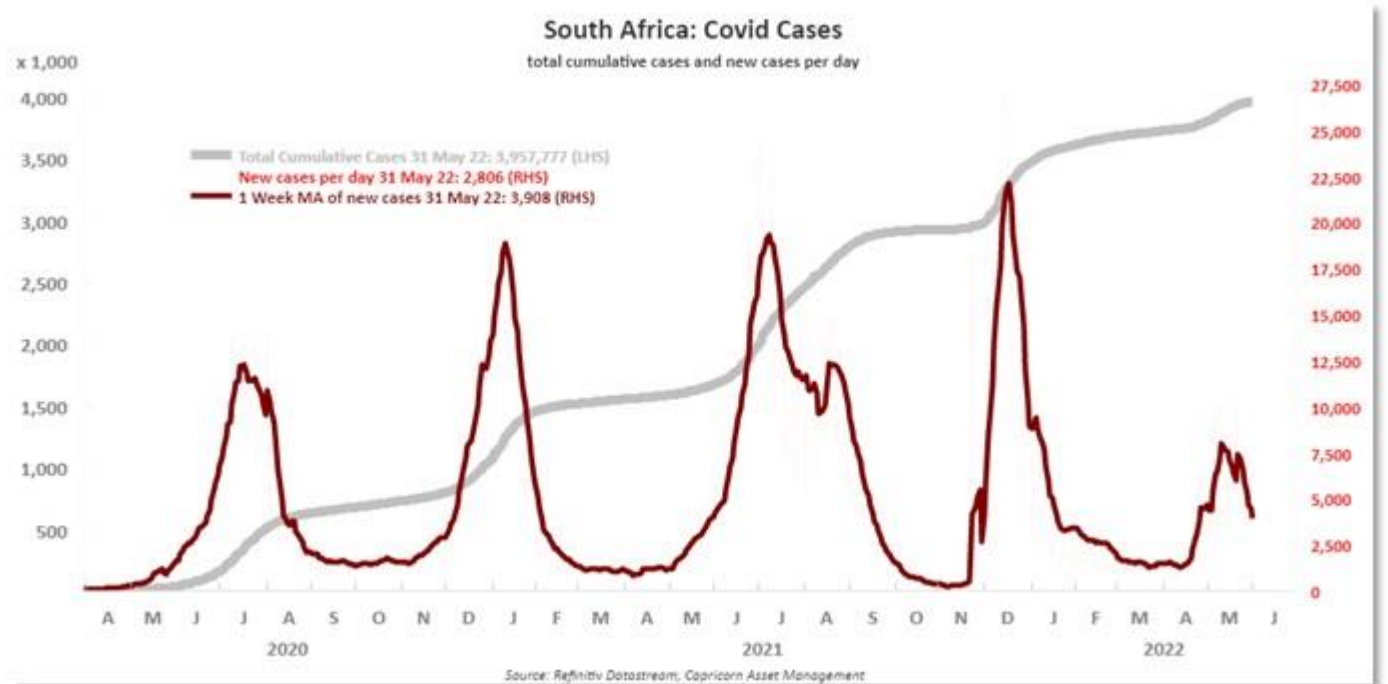
Its unemployment rate fell to 34.5% in the first quarter of 2022 from 35.3% in the final quarter of last year. Other data showed that private-sector credit in South Africa rose by 5.99% year-on-year in April after rising by 5.92% in March. The government's benchmark 2030 bond was weaker, with the yield up 1.7 basis points to 9.835%.

While rising crude oil prices, which hovered around \$123 a barrel, stoked inflation worries amongst investors, the local stock market stayed upbeat on the back of the fall in unemployment and an acceleration in private sector credit growth.

Shares on the Johannesburg Stock Exchange (JSE) rose on Tuesday helped by local banking stocks, industrials and real state companies even as major global indexes fell on inflation worries. The benchmark all-share index rose 0.19% to 72,095 points and the blue-chip index of top 40 companies closed up 0.15% to 65,431 points. However, miners played a spoilsport with Gold Fields leading the pack, losing a fifth of its market value in a single day after the company said it had agreed to acquire Canada-based Yamana Gold in a \$6.7 billion deal. Investors were concerned the company was paying a huge premium for the asset.

Corona Tracker

Name	Cases - cumulative total	Cases - newly reported in last 7 days	Deaths - cumulative total	Deaths - newly reported in last 7 days
Global	526,558,033	2,693,600	6,287,117	7,477



Source: Thomson Reuters Refinitiv

Dreams are today's answers to tomorrow's questions.

Edgar Cayce

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				01 June 2022	
Money Market TB Rates %					
		Last close	Difference	Prev close	Current Spot
3 months	⇒	5.29	0.000	5.29	5.29
6 months	↑	5.73	0.008	5.73	5.73
9 months	↑	6.61	0.025	6.58	6.61
12 months	↑	6.93	0.050	6.88	6.93
Nominal Bond Yields %					
		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	↓	7.26	-0.030	7.29	7.26
GC24 (Coupon 10.50%, BMK R186)	↑	7.76	0.135	7.62	7.76
GC25 (Coupon 8.50%, BMK R186)	↑	8.21	0.135	8.07	8.21
GC26 (Coupon 8.50%, BMK R186)	↑	8.92	0.135	8.78	8.92
GC27 (Coupon 8.00%, BMK R186)	↑	9.24	0.135	9.10	9.24
GC30 (Coupon 8.00%, BMK R2030)	↑	11.13	0.170	10.96	11.14
GC32 (Coupon 9.00%, BMK R213)	↑	12.35	0.170	12.18	12.37
GC35 (Coupon 9.50%, BMK R209)	↑	13.03	0.155	12.88	13.05
GC37 (Coupon 9.50%, BMK R2037)	↑	14.03	0.160	13.87	14.04
GC40 (Coupon 9.80%, BMK R214)	↑	13.92	0.130	13.79	13.97
GC43 (Coupon 10.00%, BMK R2044)	↑	14.25	0.150	14.10	14.26
GC45 (Coupon 9.85%, BMK R2044)	↑	14.26	0.150	14.11	14.27
GC48 (Coupon 10.00%, BMK R2048)	↑	14.67	0.150	14.52	14.69
GC50 (Coupon 10.25%, BMK: R2048)	↑	14.41	0.150	14.26	14.43
Inflation-Linked Bond Yields %					
		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	⇒	4.00	0.000	4.00	4.00
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)	⇒	5.33	0.000	5.33	5.33
GI33 (Coupon 4.50%, BMK NCPI)	⇒	7.24	0.000	7.24	7.24
GI36 (Coupon 4.80%, BMK NCPI)	⇒	7.70	0.000	7.70	7.70
Commodities					
		Last close	Change	Prev close	Current Spot
Gold	↓	1,837	-1.03%	1,856	1,832
Platinum	↑	965	0.60%	959	964
Brent Crude	↑	122.8	0.96%	121.7	115.5
Main Indices					
		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,820	0.93%	1,803	1,820
JSE All Share	↑	72,095	0.19%	71,958	72,095
SP500	↓	4,132	-0.63%	4,158	4,132
FTSE 100	↑	7,608	0.10%	7,600	7,608
Hangseng	↑	21,415	1.38%	21,124	21,187
DAX	↓	14,388	-1.29%	14,576	14,388
JSE Sectors					
		Last close	Change	Prev close	Current Spot
Financials	↑	16,988	1.05%	16,810	16,988
Resources	↓	76,948	-1.40%	78,038	76,948
Industrials	↑	78,302	0.84%	77,647	78,302
Forex					
		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	15.59	0.67%	15.49	15.67
N\$/Pound	↑	19.64	0.27%	19.59	19.72
N\$/Euro	↑	16.73	0.25%	16.69	16.78
US dollar/ Euro	↓	1.073	-0.41%	1.078	1.071
<div style="display: flex; justify-content: space-around;"> Namibia RSA </div>					
Interest Rates & Inflation					
		May 22	Apr 22	May 22	Apr 22
Central Bank Rate	↑	4.25	4.00	4.75	4.25
Prime Rate	↑	8.00	7.75	8.25	7.75
		Apr 22	Mar 22	Apr 22	Mar 22
Inflation	↑	5.6	4.5	5.9	5.9

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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