

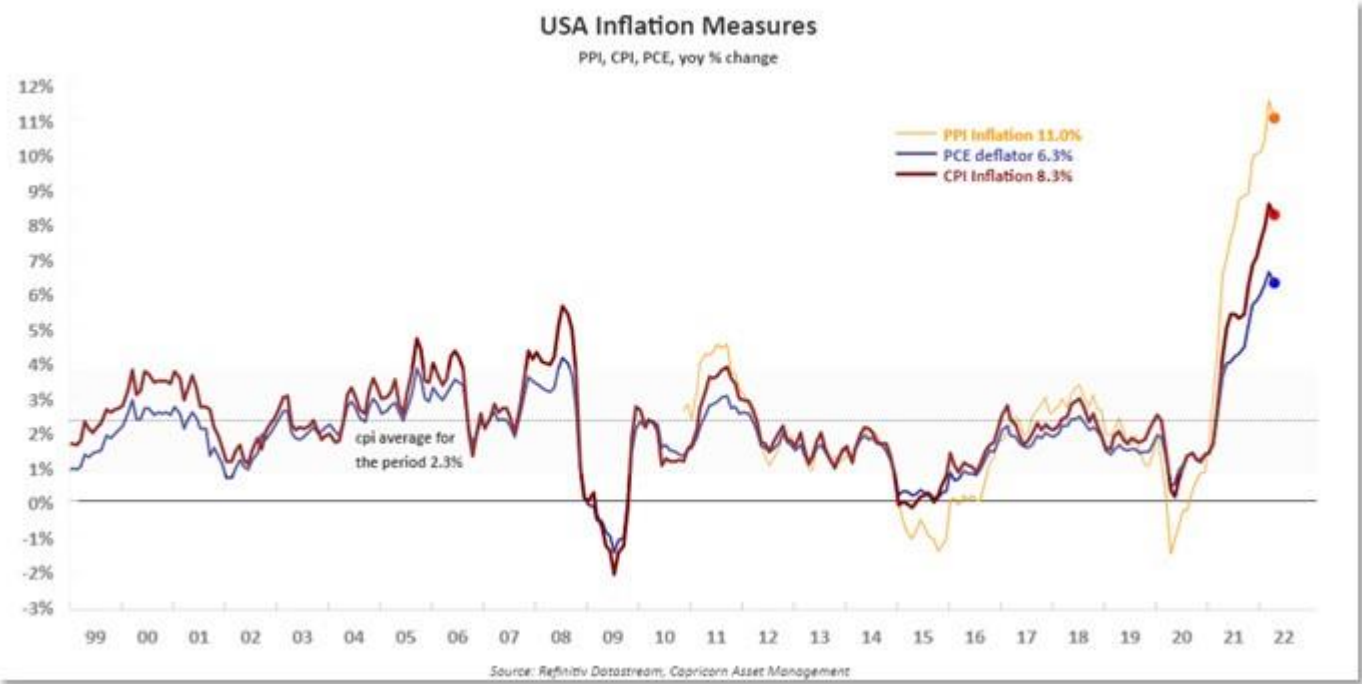


# The Daily Brief

Capricorn Asset Management

## Market Update

Friday, 10 June 2022



## Global Markets

Asian shares tracked Wall Street lower on Friday, while the dollar held on to its overnight gains, after rate hike guidance from the European Central Bank and upcoming U.S. inflation data unnerved investors.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 1.2% in early Asian trade, weighed down by drops of 1.5% in Hong Kong, 0.8% in resources-heavy Australia and 1.6% in South Korea. Japan's Nikkei fell 1.2%.

Tech giants listed in Hong Kong were hit hard, with their sub-index opening 2.9% lower. Hong Kong shares of Alibaba fell 3.3% after affiliate Ant Group said it had no plan to initiate an initial public offering. This was a response to media reports that Beijing had approved relaunching the IPO. Alibaba shares in the U.S. slid 8.1% overnight. Market sentiment in China has been soured by renewed restrictions in Beijing and Shanghai as new COVID-19 cases have emerged. Multiple

districts in Beijing are shutting down entertainment venues, while most citizens in Shanghai are facing new rounds of mass testing to prevent a new outbreak.

On Thursday, the European Central Bank ended a long-running stimulus scheme and said it would deliver next month its first interest rate rise since 2011, followed by a potentially larger move in September. While the ECB decision was widely expected, the possibility of a larger rise in September weighed on sentiment. The euro zone economy is grappling with slowing growth and soaring inflation exacerbated by a months-long Ukraine war.

"Global equities came under pressure after the ECB delivered its guidance, and (ECB President Christine) Lagarde noted upside inflation risks," said analysts at ANZ in a note on Friday.

"And with energy prices still pushing higher, it is not yet clear that inflation has peaked. Fed guidance and policy actions may have to turn more hawkish for longer. Financial markets are nervous."

For months, markets have focused on how fast central banks have been moving to curb inflation. Investors now expect the Federal Reserve to raise interest rates by 50 basis points next week, especially if U.S. consumer price data on Friday confirms elevated inflation. The consensus forecast sees a year-over-year inflation rate for May of 8.3%, unchanged from April.

Shares on Wall Street tumbled as the market awaited the price data. The S&P 500 and Nasdaq fell more than 2% in their biggest daily percentage declines since mid-May, with mega-cap growth stocks leading the way. Apple Inc and Amazon.com Inc fell 3.6% and 4.2%, respectively. While some investors have been hopeful that inflation may have peaked, a recent run higher in oil prices to a 13-week high has dented that optimism, boosting the appeal of the safe-haven dollar.

In currency markets, the U.S. dollar retained its broad strength against a basket of major currencies, hovering around its highest level in three weeks. The euro wallowed at a 2-1/2 week low while the yen gained 0.16% against the greenback, pulling away from a 20-year low.

On Friday, moves in U.S. Treasuries were largely muted. The yield on benchmark 10-year Treasury notes rose slightly to 3.0566%, compared with its U.S. close of 3.042% on Thursday.

The two-year yield, which rises with traders' expectations of higher Fed fund rates, touched 2.8319%, compared with a U.S. close of 2.817%.

Oil prices dipped after parts of Shanghai imposed new lockdown measures. Still, strong gains in refined products supported crude prices near three-month highs. U.S. crude futures fell 0.16% to \$121.33 a barrel and Brent settled 0.2% lower at \$122.81. Gold edged down on Friday and headed for a weekly fall, as Treasury yields rose. Spot gold was traded at \$1,846.4949 per ounce.

## Domestic Markets



South Africa's rand edged lower on Thursday, after poor mining and industrial production data dampened investor confidence, and the dollar bounced back ahead of U.S. inflation data. At 1654 GMT, the rand traded at 15.4500 against the dollar, 1.01% lower than its previous close.

The dollar index strengthened against its rivals, reversing initial declines and was up 0.45% at 103.03, ahead of the U.S. May consumer price index (CPI) data on Friday. South Africa's total mining output fell by 14.9% year on year in April, while manufacturing output dropped 7.8%, data from the statistics agency showed.

"Logistical challenges which were exacerbated by the KZN floods in April, together with electricity supply constraints continue to weigh on the energy-intensive mining sector, impeding optimal production and export potential," Investec economist Lara Hodes said in a research note, adding that the manufacturing sector was also extremely vulnerable to the electricity supply situation.

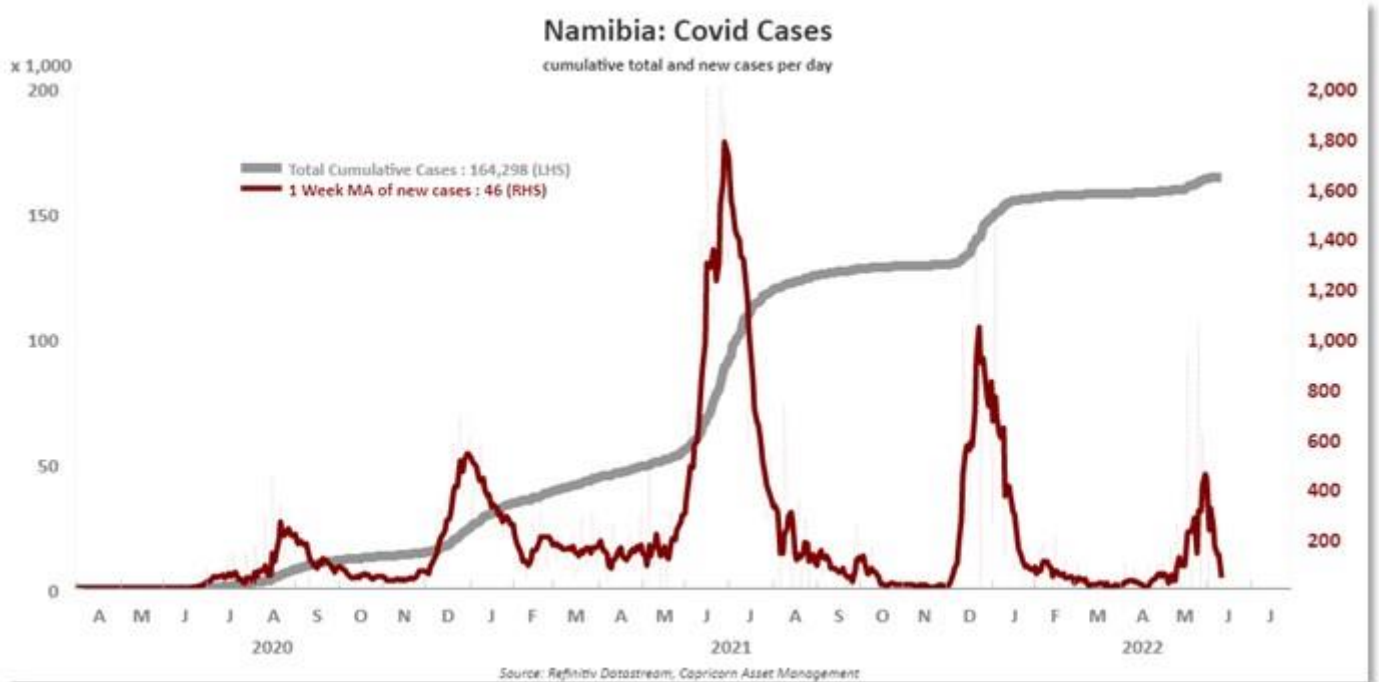
Separately, data from the central bank showed the country's current account surplus widened slightly to 2.2% of gross domestic product (GDP) in the first quarter from 2.1% of GDP in the final quarter of 2021.

On the Johannesburg Stock Exchange (JSE), stocks had a broad-based fall, triggered by a global downward trend in stocks as investors focused on an ECB rate hike and rising bond yields in the U.S. Overall, on the JSE, the All-Share index fell 1.49% to 68,911 points while the Top-40 index closed 1.61% lower at 62,427 points. The mining index slumped 3.23%, with Anglo American Platinum Ltd and Northam Platinum Holdings Ltd down 4.39% and 4.13% respectively.

The government's benchmark 2030 bond was lower, with the yield up 3.5 basis points to 9.980%.

## Corona Tracker

Name	Cases - cumulative total	Cases - newly reported in last 7 days	Deaths - cumulative total	Deaths - newly reported in last 7 days
Global	531,550,610	3,195,073	6,302,982	8,401



Source: Thomson Reuters Refinitiv

Everything that we see is a shadow cast by that which we do not see.

**Martin Luther King, Jr.**



## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				10 June 2022	
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	↑	5.30	0.008	5.29	5.30
6 months	↑	5.78	0.008	5.77	5.78
9 months	↑	6.69	0.033	6.66	6.69
12 months	↑	7.06	0.016	7.04	7.06
<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)	↓	7.23	-0.010	7.24	7.23
GC24 (Coupon 10.50%, BMK R186)	↑	7.98	0.075	7.91	7.98
GC25 (Coupon 8.50%, BMK R186)	↑	8.43	0.075	8.36	8.43
GC26 (Coupon 8.50%, BMK R186)	↑	9.14	0.075	9.07	9.14
GC27 (Coupon 8.00%, BMK R186)	↑	9.46	0.075	9.39	9.46
GC30 (Coupon 8.00%, BMK R2030)	↑	11.27	0.035	11.24	11.27
GC32 (Coupon 9.00%, BMK R213)	↑	12.50	0.030	12.47	12.50
GC35 (Coupon 9.50%, BMK R209)	↑	13.15	0.030	13.12	13.15
GC37 (Coupon 9.50%, BMK R2037)	↑	14.14	0.040	14.10	14.14
GC40 (Coupon 9.80%, BMK R214)	↑	14.07	0.045	14.03	14.06
GC43 (Coupon 10.00%, BMK R2044)	↑	14.36	0.050	14.31	14.36
GC45 (Coupon 9.85%, BMK R2044)	↑	14.37	0.050	14.32	14.37
GC48 (Coupon 10.00%, BMK R2048)	↑	14.80	0.050	14.75	14.80
GC50 (Coupon 10.25%, BMK: R2048)	↑	14.54	0.050	14.49	14.54
<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)	↔	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)	↓	4.94	-0.255	5.19	4.94
GI33 (Coupon 4.50%, BMK NCPI)	↓	6.85	-0.294	7.14	6.85
GI36 (Coupon 4.80%, BMK NCPI)	↓	7.83	-0.091	7.92	7.83
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↓	1,848	-0.30%	1,853	1,843
Platinum	↓	971	-3.47%	1,006	966
Brent Crude	↓	123.1	-0.41%	123.6	122.3
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	↓	1,735	-1.48%	1,761	1,735
JSE All Share	↓	68,911	-1.49%	69,950	68,911
SP500	↓	4,018	-2.38%	4,116	4,018
FTSE 100	↓	7,476	-1.54%	7,593	7,476
Hangseng	↓	21,869	-0.66%	22,015	21,829
DAX	↓	14,199	-1.71%	14,446	14,199
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↓	15,553	-1.51%	15,792	15,553
Resources	↓	73,776	-2.15%	75,399	73,776
Industrials	↓	76,231	-1.15%	77,120	76,231
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↑	15.39	0.85%	15.26	15.39
N\$/Pound	↑	19.22	0.45%	19.14	19.23
N\$/Euro	↓	16.33	-0.10%	16.35	16.36
US dollar/ Euro	↓	1.061	-0.93%	1.071	1.063
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>May 22</b>	<b>Apr 22</b>	<b>May 22</b>	<b>Apr 22</b>
Central Bank Rate	↑	4.25	4.00	4.75	4.25
Prime Rate	↑	8.00	7.75	8.25	7.75
		<b>Apr 22</b>	<b>Mar 22</b>	<b>Apr 22</b>	<b>Mar 22</b>
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

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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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