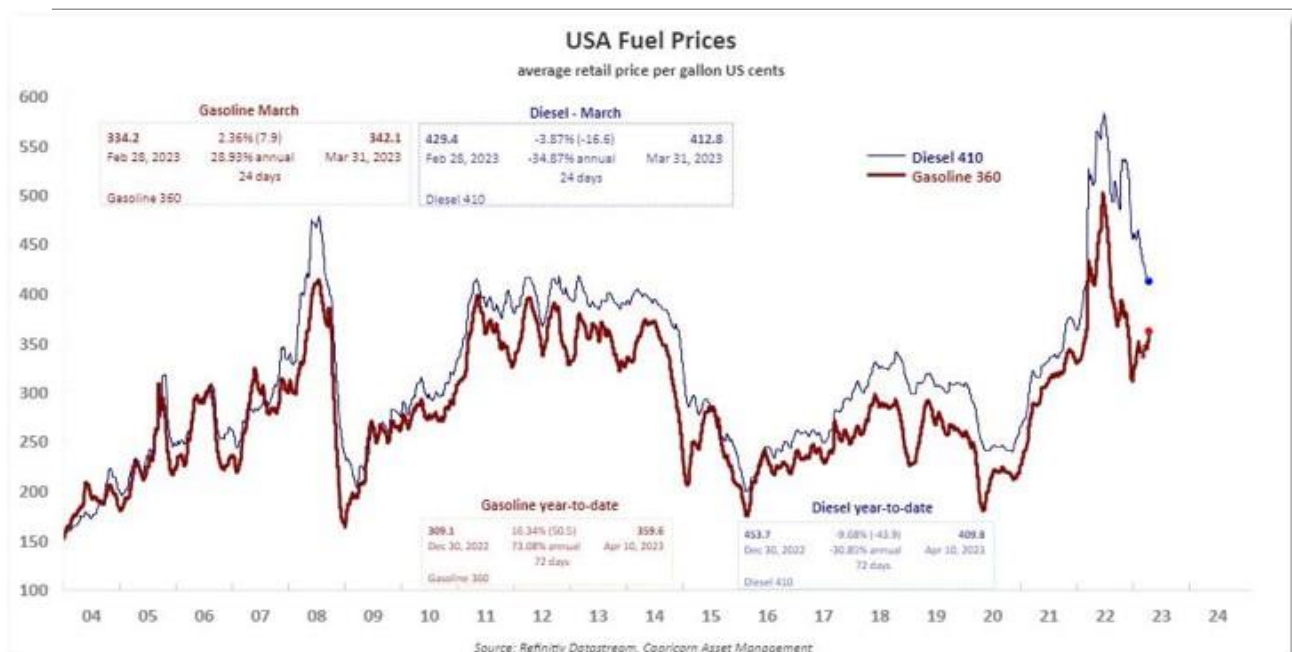




Market Update

Wednesday, 12 April 2023



Global Markets

Asian equities drifted lower on Wednesday ahead of a crucial U.S. inflation report that will likely influence how soon the Federal Reserve will end its aggressive rate hikes, with markets betting on at least one more at next month's policy meeting.

MSCI's broadest index of Asia-Pacific shares outside Japan was 0.17% lower in choppy trading, set to snap its three day winning streak.

The subdued mood looked set to continue in Europe, with futures indicating a broadly lower open. The Eurostoxx 50 futures was down 0.16%, German DAX futures up 0.01% and FTSE futures down 0.07%.

After Friday's jobs report showed a resilient U.S. labour market, emboldening bets of a 25 basis point hike at the Fed's next meeting in May, investor attention is firmly on the March inflation report due later in the day. The consumer price index is expected to show core inflation rose 0.4% on a monthly basis and 5.6% year-over-year in March, according to a Reuters poll of economists. "The focus will

shift from the decline in the headline inflation towards underlying inflation pressures and how sticky it might be which could have an impact on how long the Fed needs to leave the interest rates at higher levels," Shane Oliver, head of investment strategy at AMP Capital in Sydney. Oliver said a risk to markets is that narrative changes from inflation to risk of recession and the markets aren't particularly worried about it at present, because it has been talked about for so long and it hasn't happened yet.

Markets are now pricing in a 66% chance of the Fed raising interest rates by 25 basis points in May and then pausing for the subsequent meetings, according to the CME FedWatch tool. Philadelphia Federal Reserve Bank President Patrick Harker on Tuesday said he feels the U.S. central bank may soon be done raising interest rates, but reiterated the desire to bring inflation back to its 2% target. The Fed last month raised interest rates by a quarter of a percentage point, taking it to a range of 4.75% to 5.00. "I'm in the camp of getting up above 5 and then sitting there for a while," Harker said.

Minutes of its March meeting are due to be released later in the day and investors will parse through it for clues on Fed's monetary path of the central bank as well as the impact of the stress in the banking sector. The International Monetary Fund warned on Tuesday that lurking financial system vulnerabilities could erupt into a new crisis and slam global growth this year as it lowered its 2023 global growth forecasts. The turmoil in the banking sector following the failure of Silicon Bank and Signature Bank had spurred some expectations that the Fed may need to cut interest rates to alleviate some of the stress in the market but a sticky inflationary environment is unlikely to give the Fed much room.

The cut in oil production announced by the OPEC+ group last week also fanned fears of inflation flaring up, and for investors to really lower their concerns over inflation there will have to be a clear fall in prices for services, Saxo Markets strategists said. "We don't think we are there yet. With oil prices rising again and labour market cooling only gradually, risk remains tilted for core inflation to remain elevated for longer," they said.

China shares were mixed, with the Shanghai Composite Index up 0.4% while Hong Kong's Hang Seng Index sank 1.2% as investors weighed rising geopolitical tensions. China said on Wednesday that President Tsai Ing-wen was pushing Taiwan into "stormy seas" after Beijing held military exercises in response to Tsai's recent meeting with U.S. House Speaker Kevin McCarthy in California. Tsai said the overseas trip, which included the meeting with McCarthy in the United States and stops in Guatemala and Belize, showed Taiwan's determination to defend freedom and democracy.

Elsewhere in Asia, Japan's Nikkei was 0.6% higher, while Australia's S&P/ASX 200 index rose 0.41%.

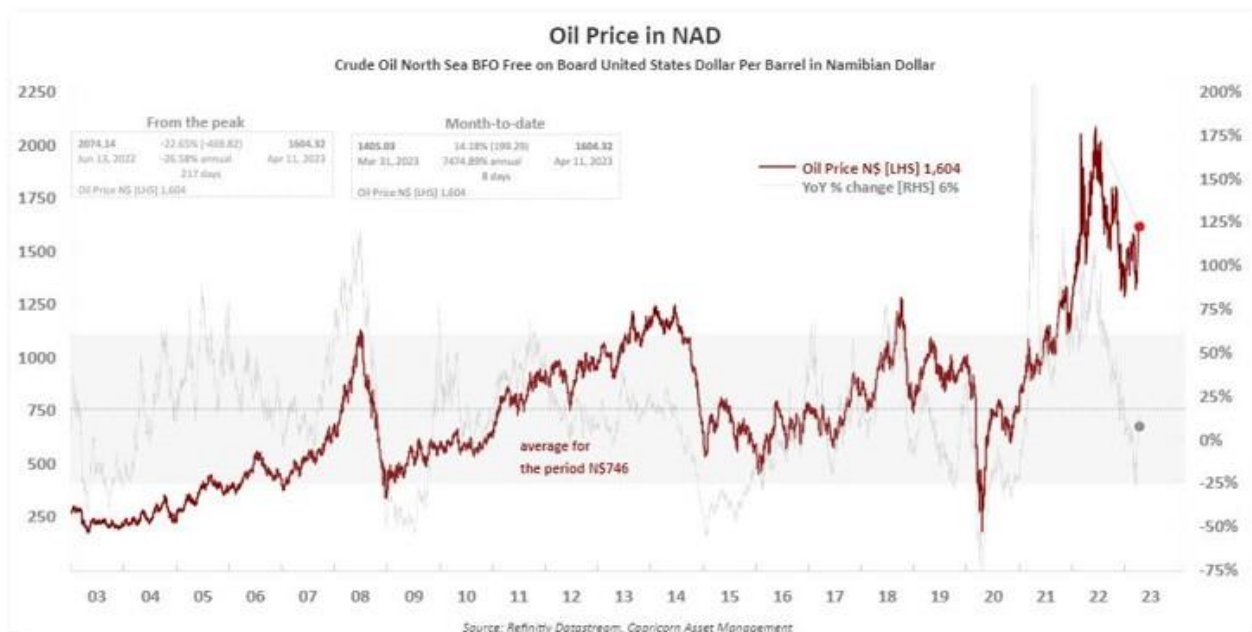
In the currency market, the dollar index, which measures the U.S. currency against six rivals, eased 0.049%. The euro was up 0.12% at \$1.0923, while sterling was last trading at \$1.2435, up 0.09% on the day.

The yen weakened 0.09% to 133.80 per dollar. The IMF said the Bank of Japan could help prevent abrupt policy changes later by allowing more flexibility in its bond yield curve control.

U.S. crude rose 0.06% to \$81.58 per barrel and Brent was at \$85.65, up 0.05% on the day. Spot gold added 0.8% to \$2,018.25 an ounce. U.S. gold futures gained 0.55% to \$2,015.90 an ounce.

Source: Thomson Reuters Refinitiv

Domestic Markets



The South African rand gained against the dollar on Tuesday as the U.S. currency fell ahead of inflation data, which could provide some clues on the monetary policy trajectory of the Federal Reserve.

At 1556 GMT, the rand ZAR=D3 traded at 18.3825 against the dollar, 0.58% stronger than its previous close. The dollar index, which measures the currency against six rivals, was last trading down 0.23% at 102.23 following strong gains the previous day.

On the Johannesburg Stock Exchange, the Top-40 index closed 1.22% higher, while the broader all-share index closed up 1.14%. "The sustainability of gains in the rand and on the JSE all-share index are likely to be tested in a news-heavy week," Shaun Murison, senior market analyst at IG, told Reuters.

Wednesday's release of U.S. inflation data and minutes from March's Federal Open Market Committee meeting may cause short-term market volatility, he added.

Meanwhile in South Africa, local manufacturing data released on Tuesday showed a 5.2% drop in annual output for February.

South Africa's benchmark 2030 government bond was marginally higher, with the yield down 1 basis point to 9.93%.

Source: Thomson Reuters Refinitiv

Beware of little expenses. A small leak will sink a great ship.

Benjamin Franklin

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				12 April 2023	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	➡	8.47	0.000	8.47	8.47
6 months	➡	8.72	0.000	8.72	8.72
9 months	➡	9.03	0.000	9.03	9.03
12 months	➡	9.13	0.000	9.13	9.13
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	➡	8.48	0.000	8.48	8.48
GC24 (Coupon 10.50%, BMK R186)	⬆	8.83	0.095	8.74	8.82
GC25 (Coupon 8.50%, BMK R186)	⬆	8.98	0.095	8.89	8.97
GC26 (Coupon 8.50%, BMK R186)	⬆	8.88	0.095	8.79	8.87
GC27 (Coupon 8.00%, BMK R186)	⬆	9.35	0.095	9.26	9.34
GC28 (Coupon 8.50%, BMK R2030)	⬆	9.74	0.110	9.63	9.73
GC30 (Coupon 8.00%, BMK R2030)	⬆	10.44	0.110	10.33	10.43
GC32 (Coupon 9.00%, BMK R213)	⬆	11.12	0.120	11.00	11.11
GC35 (Coupon 9.50%, BMK R209)	⬆	12.55	0.135	12.41	12.54
GC37 (Coupon 9.50%, BMK R2037)	⬆	12.99	0.140	12.85	12.98
GC40 (Coupon 9.80%, BMK R214)	⬆	13.10	0.160	12.94	13.09
GC43 (Coupon 10.00%, BMK R2044)	⬆	13.90	0.150	13.75	13.89
GC45 (Coupon 9.85%, BMK R2044)	⬆	13.80	0.150	13.65	13.79
GC48 (Coupon 10.00%, BMK R2048)	⬆	13.96	0.150	13.81	13.95
GC50 (Coupon 10.25%, BMK: R2048)	⬆	14.06	0.150	13.91	14.05
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	➡	3.29	0.000	3.29	3.29
GI27 (Coupon 4.00%, BMK NCPI)	➡	3.70	0.000	3.70	3.70
GI29 (Coupon 4.50%, BMK NCPI)	➡	5.25	0.000	5.25	5.25
GI33 (Coupon 4.50%, BMK NCPI)	➡	6.15	0.000	6.15	6.15
GI36 (Coupon 4.80%, BMK NCPI)	➡	6.56	0.000	6.56	6.56
Commodities		Last close	Change	Prev close	Current Spot
Gold	⬆	2,003	0.66%	1,990	2,018
Platinum	⬆	995	0.29%	992	1,004
Brent Crude	⬆	85.6	1.70%	84.2	85.8
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬆	1,625	1.63%	1,599	1,625
JSE All Share	⬆	77,991	1.14%	77,114	77,991
SP500	⬇	4,109	0.00%	4,109	4,109
FTSE 100	⬆	7,786	0.57%	7,742	7,786
Hangseng	⬆	20,485	0.76%	20,331	20,356
DAX	⬆	15,655	0.37%	15,598	15,655
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬆	15,866	0.74%	15,748	15,866
Resources	⬆	70,750	3.26%	68,515	70,750
Industrials	⬆	103,461	0.38%	103,070	103,461
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬆	18.37	0.57%	18.27	18.33
N\$/Pound	⬆	22.82	0.91%	22.62	22.79
N\$/Euro	⬆	20.05	1.05%	19.84	20.03
US dollar/ Euro	⬆	1.091	0.47%	1.086	1.093
		Namibia		RSA	
Interest Rates & Inflation		Mar 23	Feb 23	Mar 23	Feb 23
Central Bank Rate	➡	7.00	7.00	7.75	7.25
Prime Rate	➡	10.75	10.75	11.25	10.75
		Feb 23	Jan 23	Feb 23	Jan 23
Inflation	⬆	7.2	7.0	7.0	6.9

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 listeds

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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