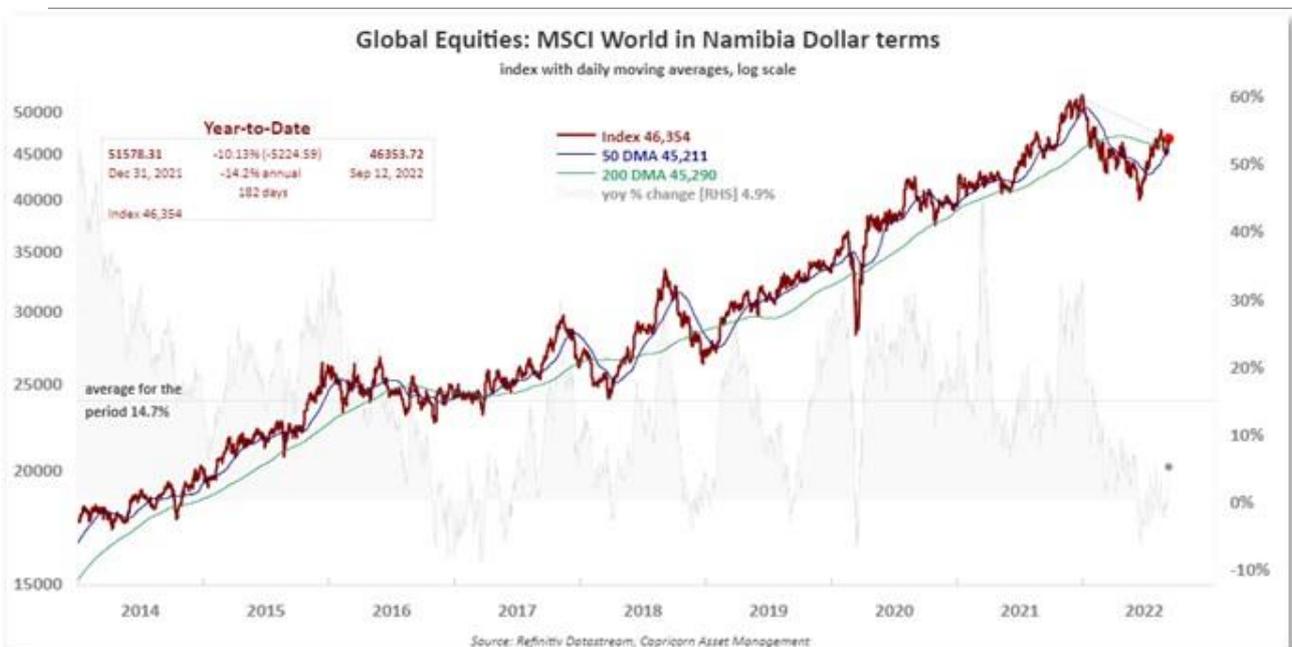




## Market Update

Monday, 12 September 2022



## Global Markets

Asian share markets rallied on Monday on hopes a key reading on U.S. inflation will show some cooling, while the U.S. dollar was restrained by the risk of higher European interest rates and Japanese intervention.

Holidays in China and South Korea made for slow trading, while traders were unsure what implications Ukraine's surprising success against Russian forces might have.

MSCI's broadest index of Asia-Pacific shares outside Japan added 0.5%, having bounced modestly from a two-year low hit last week. Japan's Nikkei added another 1.1%, after rallying 2% last week.

Chinese blue chips firmed 1.3% ahead of retail and industry data due later in the week that may show some improvement in August after a disappointing July.

Wall Street struggled to extend Friday's bounce with S&P 500 futures and Nasdaq futures flat. EUROSTOXX 50 futures gained 0.6% and FTSE futures 0.2%.

Bulls are hoping Tuesday's reading on U.S. consumer prices will hint at a peak for inflation as falling petrol prices are seen pulling down the headline index by 0.1%, according to a Reuters poll.

The core is forecast to rise 0.3%, though some analysts see a chance of a softer report.

"Arguably, with the economy having contracted through the first half, and household discretionary spending capacity under significant pressure, we are due a modest downside surprise," said economists at Westpac.

"As such, we forecast +0.2% for core and -0.2% for headline," they added. "If achieved though, it should not be assumed that October and beyond will see repeats, with volatility likely to persist."

A soft number might revive speculation the Federal Reserve will only hike by 50 basis points this month, though it would likely have to be very weak to have a real impact given how stridently hawkish policymakers have been recently.

The market currently implies an 88% chance the Fed will hike by 75 basis points.

BofA global economist Ethan Harris fears that by focusing on actual inflation to determine when to stop, central banks may go too far. The bank has lifted its target for the federal funds rate to a range of 4.0-4.25%, with a 75bp hike in September and smaller rises thereafter.

"For investors, this means more pressure on interest rates, more weakness in risk assets and further upside for the super-strong dollar," said Harris.

"In our view, these trends only turn when markets price the full fury of central bank hikes and we are not quite there yet."

### **Dollar Not Done Yet**

For now, the dollar has run into some profit taking from a market that is very long the currency after a month of sustained gains.

So rapidly has the dollar risen on the yen that Japanese authorities are becoming increasingly vocal in protesting their currency's decline, sparking speculation of intervention and putting pressure on the Bank of Japan to moderate its policy of yield curve control.

Japan's government must take steps as needed to counter excessive declines in the yen, a senior government official said on Sunday, after it hit its weakest level against the dollar in 24 years.

Yet after an early dip, the dollar soon rallied to be up 0.4% at 143.14 yen, though still off last week's top of 144.99.

The dollar index stood at 108.770, having reached as high as 110.790 last week.

The euro nudged up 0.4% to \$1.0080, and away from its recent trough of \$0.9865.

It was helped in part by a Reuters report that European Central Bank policymakers see a growing risk that they will have to raise their key interest rate to 2% or more to curb record-high inflation despite a likely recession.

Analysts at ANZ noted the dollar over the past month was up roughly 9% against the euro and the Chinese yuan, 12% against the British pound and 19% against the yen.

"The rampant USD is causing strain in developing countries, which are finding imports priced in USD more expensive," they said in a note.

"With Fed speakers using every opportunity to hammer home a hawkish message and quantitative tightening looming, the USD is not about to dramatically turn."

The ascent of the dollar combined with high bond yields has been a drag for gold, which was hovering at \$1,713 an ounce after hitting a low of \$1,690 last week.

Oil prices have also been trending lower amid concerns about a global economic slowdown, though cuts to supply did prompt a 4% bounce on Friday.

On Monday, Brent was down \$1.29 at \$91.55, while U.S. crude shed \$1.28 to \$85.51 per barrel.

**Source: Thomson Reuters Refinitiv**

## Domestic Markets



South Africa's rand strengthened on Friday after the dollar fell ahead of a U.S. inflation report that South Africa's rand strengthened on Friday after the dollar fell ahead of a U.S. inflation report that could determine the size of the Federal Reserve's rate hike at this month's policy meeting.

At 1550 GMT, the rand traded at 17.2700 against the dollar, 1.47% stronger than its previous close.

The dollar index, which measures the currency against six rivals, was down around 0.5% at 108.950.

On the Johannesburg Stock Exchange (JSE), the Top-40 index rose 2.46%, while the broader all-share index was up 2.15%, driven mostly by mining and banking shares.

Stronger commodities prices gave a boost to assets in the resource-rich country, Gerhard Parkin, portfolio manager for BP Bernstein, told Reuters.

"That's just a relief rally in the shares that were oversold," Parkin said.

He also cited Chinese inflation data that came below consensus and left room for further central bank policy easing.

Among gainers, miners Anglo American Platinum, Anglo American PLC, Kumba Iron Ore and BHP Group Ltd were up around 5-6%. Overall, the mining index closed 2.68% higher.

The government's benchmark 2030 bond rose, with the yield down 7.5 basis points to 10.305%.

**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	603,711,760		3,612,553	6,484,136	11,553

Source: Thomson Reuters Refinitiv

The object of the superior man is truth.

Confucius

## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)		12 September 2022			
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	↑	6.60	0.017	6.58	6.60
6 months	↑	6.87	0.009	6.86	6.87
9 months	↑	7.63	0.025	7.61	7.63
12 months	↑	8.11	0.033	8.08	8.11
<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)	↓	8.68	-0.025	8.70	8.64
GC24 (Coupon 10.50%, BMK R186)	↓	8.31	-0.075	8.39	8.29
GC25 (Coupon 8.50%, BMK R186)	↓	8.76	-0.075	8.84	8.74
GC26 (Coupon 8.50%, BMK R186)	↓	8.82	-0.075	8.90	8.80
GC27 (Coupon 8.00%, BMK R186)	↓	9.79	-0.075	9.87	9.77
GC30 (Coupon 8.00%, BMK R2030)	↓	11.60	-0.075	11.67	11.58
GC32 (Coupon 9.00%, BMK R213)	↓	11.74	-0.080	11.82	11.72
GC35 (Coupon 9.50%, BMK R209)	↓	12.30	-0.060	12.36	12.28
GC37 (Coupon 9.50%, BMK R2037)	↓	12.90	-0.090	12.99	12.88
GC40 (Coupon 9.80%, BMK R214)	↓	13.26	-0.080	13.34	13.23
GC43 (Coupon 10.00%, BMK R2044)	↓	13.78	-0.070	13.85	13.76
GC45 (Coupon 9.85%, BMK R2044)	↓	14.30	-0.070	14.37	14.28
GC48 (Coupon 10.00%, BMK R2048)	↓	14.45	-0.080	14.53	14.43
GC50 (Coupon 10.25%, BMK: R2048)	↓	14.46	-0.080	14.54	14.44
<b>Inflation-Linked Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GI25 (Coupon 3.80%, BMK NCPI)	↔	3.90	0.000	3.90	2.90
GI27 (Coupon 4.00%, BMK NCPI)	↔	4.99	0.000	4.99	4.99
GI29 (Coupon 4.50%, BMK NCPI)	↓	4.73	-0.068	4.80	4.73
GI33 (Coupon 4.50%, BMK NCPI)	↓	6.10	-0.185	6.29	6.10
GI36 (Coupon 4.80%, BMK NCPI)	↓	6.80	-0.175	6.98	6.80
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↑	1,716	0.51%	1,707	1,712
Platinum	↑	881	0.19%	879	877
Brent Crude	↑	92.8	4.14%	89.2	91.8
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	↑	1,552	3.36%	1,502	1,552
JSE All Share	↑	68,708	2.15%	67,260	68,708
SP500	↑	4,067	1.53%	4,006	4,067
FTSE 100	↑	7,351	1.23%	7,262	7,351
Hangseng	↑	19,362	2.69%	18,855	19,362
DAX	↑	13,088	1.43%	12,904	13,088
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↑	15,003	1.60%	14,766	15,003
Resources	↑	63,310	4.27%	60,716	63,310
Industrials	↑	84,682	1.65%	83,304	84,682
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↓	17.30	-1.18%	17.51	17.26
N\$/Pound	↓	20.05	-0.45%	20.14	20.06
N\$/Euro	↓	17.37	-0.75%	17.50	17.42
US dollar/ Euro	↑	1.004	0.45%	0.999	1.009
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>Aug 22</b>	<b>Jul 22</b>	<b>Aug 22</b>	<b>Jul 22</b>
Central Bank Rate	↑	5.50	4.75	5.50	5.50
Prime Rate	↑	9.25	8.50	9.00	9.00
		<b>Jul 22</b>	<b>Jun 22</b>	<b>Jul 22</b>	<b>Jun 22</b>
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

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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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