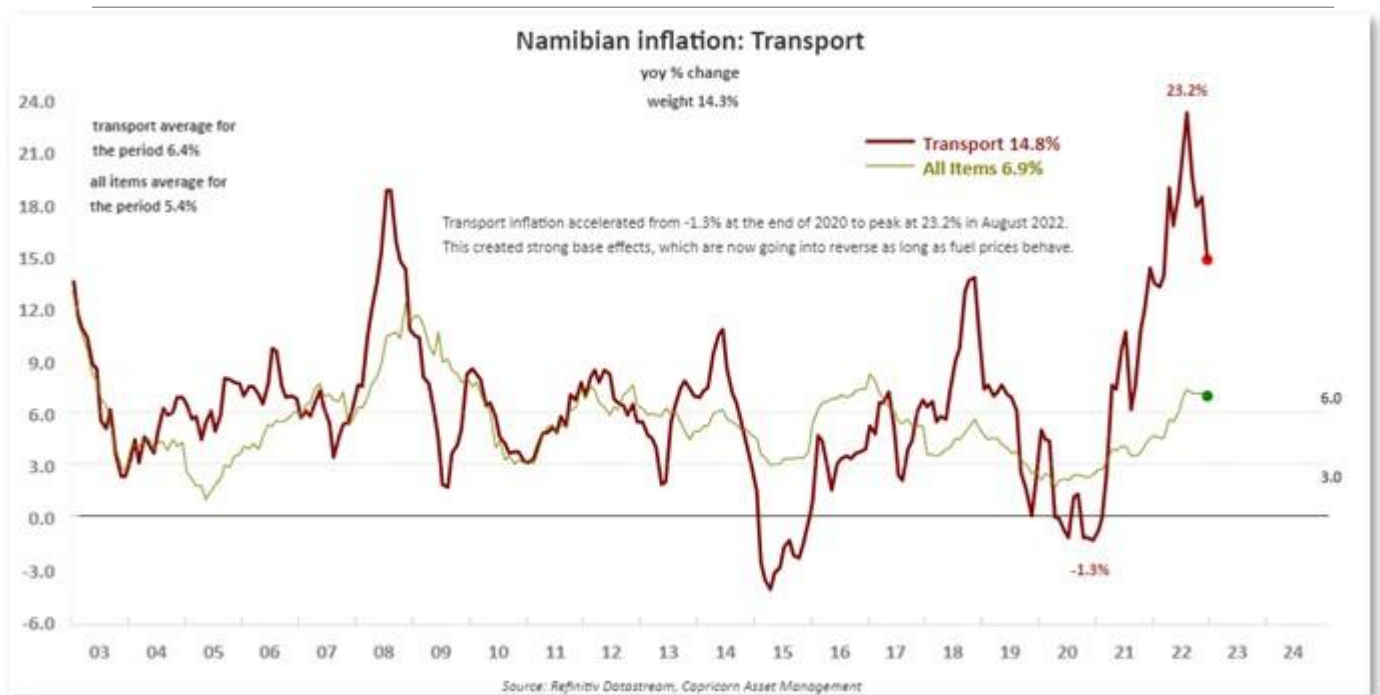




## Market Update

Friday, 13 January 2023



## Global Markets

Asian stocks rose on Friday as investors cheered a slowdown in U.S. inflation, while the yen hit a seven-month high and Japanese bond yields broke above the central bank's target as markets challenged Tokyo's commitment to loose monetary policy.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.8% to hit a new seven-month high and were headed for a third consecutive week of gains.

Japan's Nikkei fell 0.4% and the yen, which surged 2.7% against the dollar overnight, kept going and rose about 0.2% further to 128.65 per dollar. It is up 6% in little more than three weeks since the Bank of Japan stunned markets by widening the band around its 10-year bond yield target.

A newspaper report flagging the possibility of more flexibility has redoubled bets on a coming shift out of ultra-easy policy that seeks to pin yields near zero.

The yield on 10-year Japanese government bonds breached its new cap of 0.5% on Friday morning trade at 0.53%. The BOJ was making unscheduled bond purchases in response.

"The market is expecting at the next meeting that they will increase the band for the 10-year again," said Naka Matsuzawa, chief Japan macro strategist at Nomura, referring to the central bank's upcoming meeting running 17-18 January.

"I think it's too early for the BOJ to give up," he added. "It still has ammunition to defend the 0.5% yield cap."

The BOJ had described its December move as aimed at addressing distortions in the bond market, and defended the new target with bond purchases - but that is under immense pressure now as traders have a sniff of a shift at next weeks' meeting.

"No change in policy this month would be a setback for the yen," said Rabobank FX strategist Jane Foley. "However, we would look to buy the yen against the dollar on dips on anticipation of another (policy) move ... in the spring."

The BOJ will likely raise its inflation forecasts next week and debate whether further steps are needed, sources familiar with the bank's thinking told Reuters.

## **INFLATION IN RETREAT**

Beyond Japan, market sentiment was dominated by overnight U.S. December inflation data that landed more or less on consensus expectations. The annual pace of headline consumer price rises slowed to 6.5% in December from 7.1% in November.

Investors responded by down-shifting expectations for U.S. interest rates. A Federal Reserve hike of 25 basis points rather than 50 next month is now nearly universally expected, and futures markets have priced in several rate cuts this year.

The dollar slipped broadly, U.S. treasuries rallied and assets seen as risky, such as stocks and cryptocurrencies, rose.

The Nasdaq hit a one-month high. The U.S. dollar dropped 0.9% to a nine-month low of \$1.0868 per euro and the risk-sensitive Australian dollar rose to a roughly five-month high at \$0.6984.

Bitcoin surged 5% to break above \$19,000. But some analysts struck a note of caution since services inflation remains sticky and because Fed policymakers are talking only of a slowdown in hikes in the offing, not a pivot to cuts.

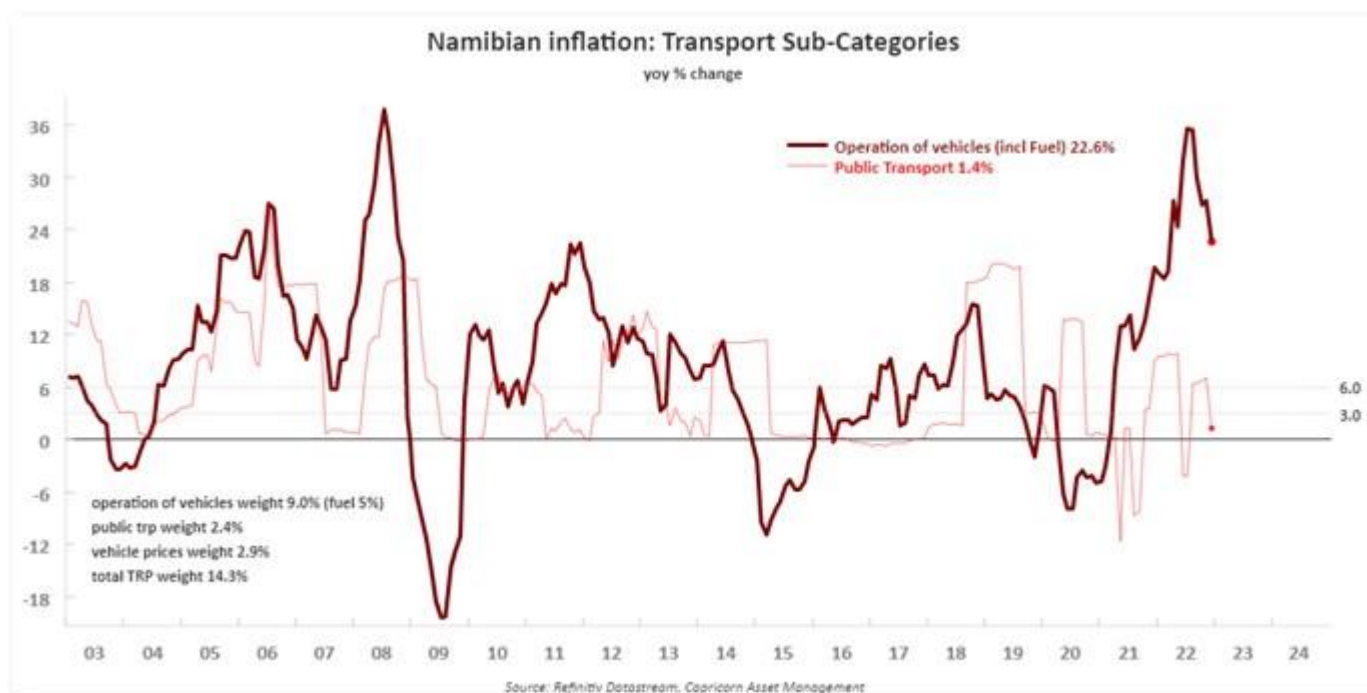
"Market relief is grounded on solidifying evidence of dis-inflation squaring with the Fed approaching the end of its tightening cycle," said Vishnu Varathan, head of economics at Mizuho Bank in Singapore.

"But the layers of inflation suggest that markets may be overly optimistic about 'pivot'."

Oil extended gains overnight - helped, too, by optimism about China's reopening - and Brent crude futures were broadly steady at \$83.82 in Asia morning trade.

South Korea's central bank raised its policy interest rate by 25 basis points on Friday, as expected, and economists now think it might have reached the end of its hiking cycle. **Source: Reuters Refinitiv**

## Domestic Markets



South Africa's rand strengthened on Thursday, after U.S. data offered hope inflation was now on a sustained downward trend, potentially allowing the Federal Reserve to slow its policy tightening pace and ease the pressure on global central banks.

At 1601 GMT, the rand traded at 16.8350 against the dollar, 0.63% stronger than its previous close.

Data showed in the 12 months through December, U.S. consumer prices increased 6.5%, as expected, slowing from a rise of 7.1% in the prior month.

The dollar index, which measures the currency against six others, fell to a nearly 9-month low following the inflation reading and was last down 0.44% at 102.67.

Like most emerging market currencies, the risk-sensitive rand is highly susceptible to global drivers such as U.S. monetary policy.

Locally, investors will be digesting news of higher power bills for customers this year after South Africa's energy regulator on Thursday approved an 18.65% price rise for struggling state utility Eskom.

Eskom is implementing some of the deepest power cuts on record, of about six to eight hours a day for most households.

Shares on the Johannesburg Stock Exchange ended marginally higher, with the broader all-share index closing up 0.13%, while the top-40 index ended 0.14% higher.

The government's benchmark 2030 bond was stronger, with the yield down 5 basis points at 9.775%.

**Source: Reuters Refinitiv**

*Friday the 13th is still better than Monday,*

## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				13 January 2023	
<b>Money Market TB Rates %</b>		Last close	Difference	Prev close	Current Spot
3 months	⇒	8.09	0.000	8.09	8.09
6 months	⇒	8.02	0.000	8.02	8.02
9 months	⇓	8.44	-0.009	8.45	8.44
12 months	⇓	8.61	-0.009	8.62	8.61
<b>Nominal Bond Yields %</b>		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	⇒	9.19	0.000	9.19	9.19
GC24 (Coupon 10.50%, BMK R186)	⇓	7.74	-0.105	7.84	7.68
GC25 (Coupon 8.50%, BMK R186)	⇓	8.19	-0.105	8.29	8.13
GC26 (Coupon 8.50%, BMK R186)	⇓	8.25	-0.105	8.35	8.19
GC27 (Coupon 8.00%, BMK R186)	⇓	9.22	-0.105	9.32	9.16
GC30 (Coupon 8.00%, BMK R2030)	⇓	11.12	-0.070	11.19	11.05
GC32 (Coupon 9.00%, BMK R213)	⇓	11.35	-0.060	11.41	11.28
GC35 (Coupon 9.50%, BMK R209)	⇓	12.12	-0.065	12.18	12.05
GC37 (Coupon 9.50%, BMK R2037)	⇓	12.74	-0.075	12.82	12.68
GC40 (Coupon 9.80%, BMK R214)	⇓	13.09	-0.065	13.16	13.03
GC43 (Coupon 10.00%, BMK R2044)	⇓	13.67	-0.075	13.75	13.61
GC45 (Coupon 9.85%, BMK R2044)	⇓	14.19	-0.075	14.27	14.13
GC48 (Coupon 10.00%, BMK R2048)	⇓	14.25	-0.070	14.32	14.19
GC50 (Coupon 10.25%, BMK: R2048)	⇓	14.26	-0.070	14.33	14.20
<b>Inflation-Linked Bond Yields %</b>		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	⇓	3.08	-0.820	3.90	3.08
GI27 (Coupon 4.00%, BMK NCPI)	⇒	3.40	0.000	3.40	3.40
GI29 (Coupon 4.50%, BMK NCPI)	⇒	5.20	0.000	5.20	5.20
GI33 (Coupon 4.50%, BMK NCPI)	⇒	6.39	0.000	6.39	6.39
GI36 (Coupon 4.80%, BMK NCPI)	⇓	6.61	-0.189	6.80	6.61
<b>Commodities</b>		Last close	Change	Prev close	Current Spot
Gold	↑	1,897	1.09%	1,876	1,893
Platinum	⇓	1,068	-0.26%	1,070	1,061
Brent Crude	↑	84.0	1.65%	82.7	83.6
<b>Main Indices</b>		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,745	0.85%	1,731	1,745
JSE All Share	↑	78,628	0.13%	78,522	78,628
SP500	↑	3,983	0.34%	3,970	3,983
FTSE 100	↑	7,794	0.89%	7,725	7,794
Hangseng	↑	21,514	0.36%	21,436	21,516
DAX	↑	15,058	0.74%	14,948	15,058
<b>JSE Sectors</b>		Last close	Change	Prev close	Current Spot
Financials	↑	16,066	1.39%	15,846	16,066
Resources	⇓	77,592	-0.06%	77,640	77,592
Industrials	⇓	98,769	-0.26%	99,031	98,769
<b>Forex</b>		Last close	Change	Prev close	Current Spot
N\$/US dollar	⇓	16.73	-1.08%	16.91	16.74
N\$/Pound	⇓	20.42	-0.55%	20.53	20.39
N\$/Euro	⇓	18.15	-0.23%	18.19	18.14
US dollar/ Euro	↑	1.085	0.85%	1.076	1.083
		Namibia		RSA	
<b>Interest Rates &amp; Inflation</b>		Dec 22	Nov 22	Dec 22	Nov 22
Central Bank Rate	⇒	6.75	6.75	7.00	7.00
Prime Rate	⇒	10.50	10.50	10.50	10.50
		Dec 22	Nov 22	Nov 22	Oct 22
Inflation	⇓	6.9	7.0	7.4	7.6

**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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