

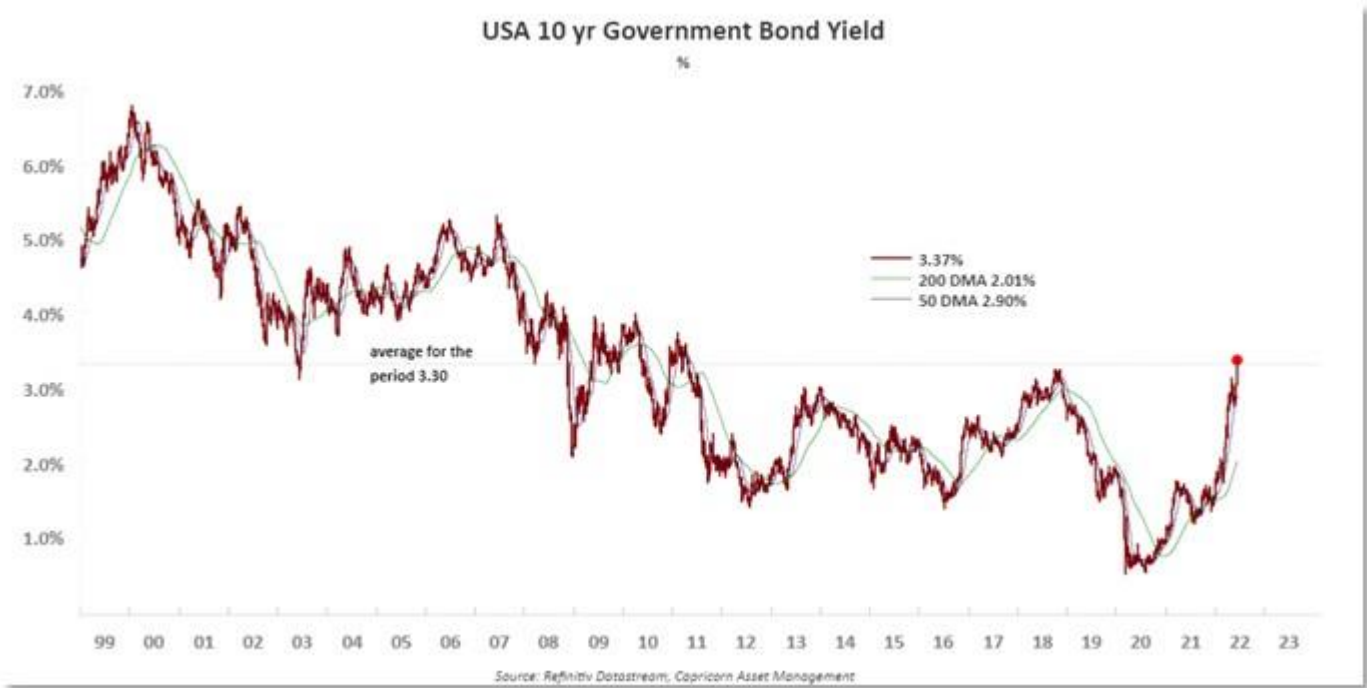


The Daily Brief

Capricorn Asset Management

Market Update

Tuesday, 14 June 2022



Global Markets

Asian shares slid sharply on Tuesday after Wall Street hit a confirmed bear market milestone and Treasury yields struck their highest in more than a decade on fears aggressive interest rate hikes would push the world's largest economy into recession.

MSCI's broadest index of Asia-Pacific shares outside Japan extended losses to be down 1.54%. Australian shares S&P/ASX200 lost 4.6%, while Japan's Nikkei stock index was down 2%. In Hong Kong, the Hang Seng Index slipped 0.91% and China's CSI300 Index was off 1.9%, doubling its earlier losses.

The negative tone in Asia follows a bleak U.S. session on Monday, which saw Goldman Sachs forecast a 75 basis point interest rate hike at the Federal Reserve's next policy meeting on Wednesday. "The U.S. will see rate rises faster and higher than Wall Street has been expecting," James Rosenberg, Ord Minnett advisor in Sydney told Reuters. "There will likely be the double impact of earnings forecasts being trimmed and further price to earnings derating."

Expectations for aggressive U.S. rate hikes rose after inflation in the year to May shot up by a sharper than predicted 8.6%. "The U.S. market is the biggest in the world so when it catches a cold the rest of the world does as well," said Clara Cheong, Global Market Strategist, JP Morgan Asset Management. "There will be short-term volatility in Asia but we think in the medium to longer-term in Asia ex-Japan, earnings expectations have already been downgraded so there is a relatively brighter outlook here than other parts of the world." Cheong said expected China's monetary easing and ASEAN countries re-opening from COVID-19 lockdowns could shield the region from some of the financial market fallout.

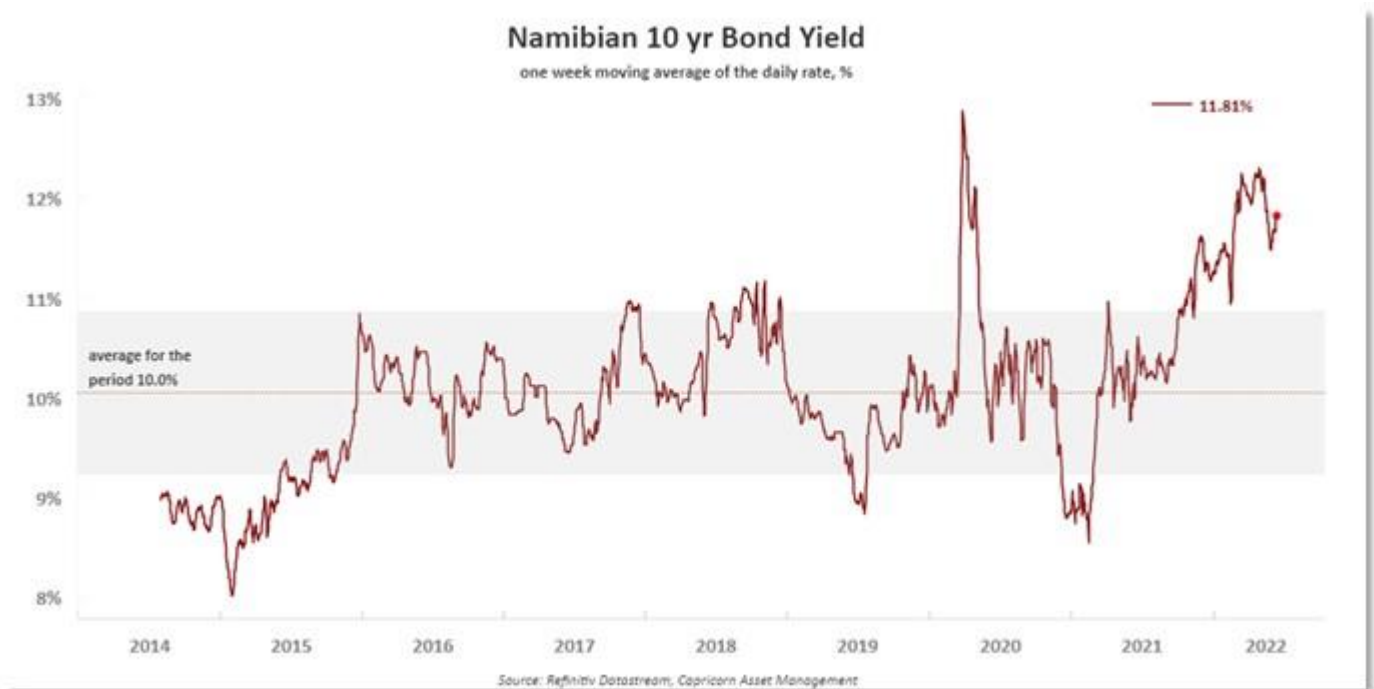
On Wall Street overnight, fears of a U.S. recession kicked the S&P 500 down 3.88%, while the Nasdaq Composite lost 4.68%. The Dow Jones Industrial Average fell 2.8%. The benchmark S&P 500 is now down more than 20% from its most recent record closing high, confirming a bear market, according to a commonly used definition.

Benchmark 10-year Treasury yields hit their highest since 2011 on Monday and a key part of the yield curve inverted for the first time since April as investors braced for the prospect that Fed attempts to stem soaring inflation would dent the economy. The yield on benchmark 10-year Treasury notes rose to 3.3466% compared with its U.S. close of 3.371% on Monday. The two-year yield, which rises with traders' expectations of higher Fed fund rates, touched 3.3804% compared with a U.S. close of 3.281%. "Higher inflation, slower growth and higher interest rates are a damaging combination for financial assets," ANZ strategists wrote on Tuesday.

The dollar dropped 0.06% against the yen to 134.32 but remains close to its more-than-two-decade high of 135.17 reached on Monday. The European single currency was flat at \$1.0407, having lost 3.04% in a month, while the dollar index, which tracks the greenback against a basket of major currencies, was up at 105.19.

Bitcoin fell around 4.5% on Tuesday to \$21,416, a fresh 18-month low, extending Monday's 15% fall as markets were jolted by crypto lender Celsius suspending withdrawals. U.S. crude dipped 0.13% to \$120.77 a barrel. Brent crude eased to \$122.08 per barrel. Gold shrugged off a weaker start with the spot price gaining 0.42% to \$1,826.23 per ounce.

Domestic Markets



SOUTH AFRICAN MARKETS

South Africa's rand fell on Monday as the safe-haven dollar rose, supported by fears of a global economic slowdown and bets on steep interest rate hikes by the U.S. Federal Reserve. On the Johannesburg Stock Exchange, the Top-40 index was down 2.08% while the broader all-share dropped 2.1% as inflation worries triggered a global selloff.

ECONOMIC EVENTS

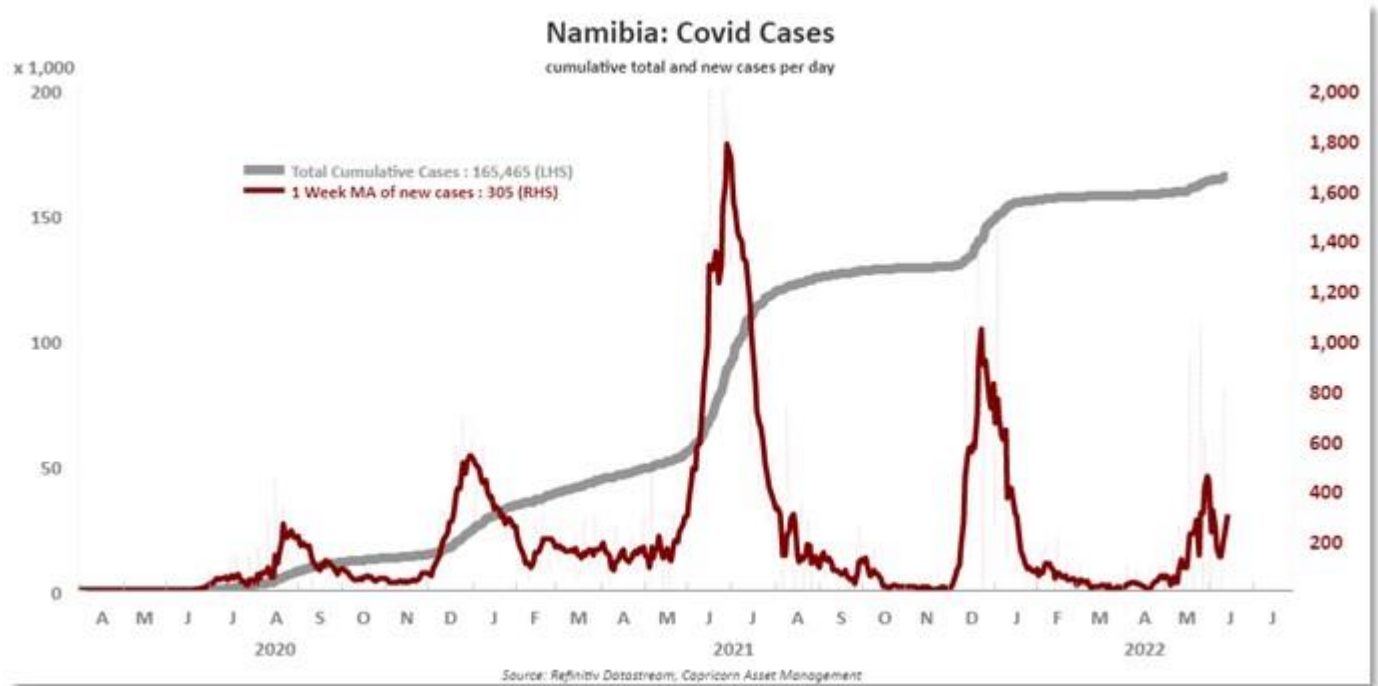
Weekly bond auction by National Treasury

COMPANIES

South Africa's Telkom FY earnings inch up on lower finance charges.

Corona Tracker

Name	Cases - cumulative total	Cases - newly reported in last 7 days	Deaths - cumulative total	Deaths - newly reported in last 7 days
Global	532,887,351	2,670,877	6,307,021	7,138



Source: Thomson Reuters Refinitiv

If we don't end war, war will end us.

H. G. Wells

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				14 June 2022	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↑	5.32	0.017	5.30	5.32
6 months	↑	5.79	0.017	5.78	5.79
9 months	↑	6.79	0.083	6.71	6.79
12 months	↑	7.20	0.083	7.12	7.20
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	↑	7.49	0.190	7.30	7.41
GC24 (Coupon 10.50%, BMK R186)	↑	8.43	0.250	8.18	8.44
GC25 (Coupon 8.50%, BMK R186)	↑	8.88	0.250	8.63	8.89
GC26 (Coupon 8.50%, BMK R186)	↑	9.59	0.250	9.34	9.60
GC27 (Coupon 8.00%, BMK R186)	↑	9.91	0.250	9.66	9.92
GC30 (Coupon 8.00%, BMK R2030)	↑	11.74	0.245	11.50	11.74
GC32 (Coupon 9.00%, BMK R213)	↑	12.98	0.250	12.73	12.96
GC35 (Coupon 9.50%, BMK R209)	↑	13.56	0.185	13.38	13.57
GC37 (Coupon 9.50%, BMK R2037)	↑	14.55	0.185	14.36	14.55
GC40 (Coupon 9.80%, BMK R214)	↑	14.46	0.165	14.30	14.48
GC43 (Coupon 10.00%, BMK R2044)	↑	14.76	0.160	14.60	14.78
GC45 (Coupon 9.85%, BMK R2044)	↑	14.77	0.160	14.61	14.79
GC48 (Coupon 10.00%, BMK R2048)	↑	15.19	0.160	15.03	15.21
GC50 (Coupon 10.25%, BMK: R2048)	↑	14.93	0.160	14.77	14.95
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)	→	4.94	0.000	4.94	4.94
GI33 (Coupon 4.50%, BMK NCPI)	→	6.85	0.000	6.85	6.85
GI36 (Coupon 4.80%, BMK NCPI)	→	7.83	0.000	7.83	7.83
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,819	-2.79%	1,871	1,828
Platinum	↓	933	-4.13%	973	943
Brent Crude	↑	122.3	0.21%	122.0	123.1
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,648	-1.74%	1,677	1,648
JSE All Share	↓	66,381	-2.10%	67,804	66,381
SP500	↓	3,750	-3.88%	3,901	3,750
FTSE 100	↓	7,206	-1.53%	7,318	7,206
Hangseng	↓	21,068	-3.39%	21,806	21,022
DAX	↓	13,427	-2.43%	13,762	13,427
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	15,107	-1.33%	15,310	15,107
Resources	↓	69,751	-3.15%	72,018	69,751
Industrials	↓	73,962	-1.74%	75,272	73,962
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	16.10	1.73%	15.83	15.99
N\$/Pound	↑	19.53	0.19%	19.49	19.49
N\$/Euro	↑	16.75	0.67%	16.64	16.69
US dollar/ Euro	↓	1.041	-1.02%	1.052	1.044
		Namibia		RSA	
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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