

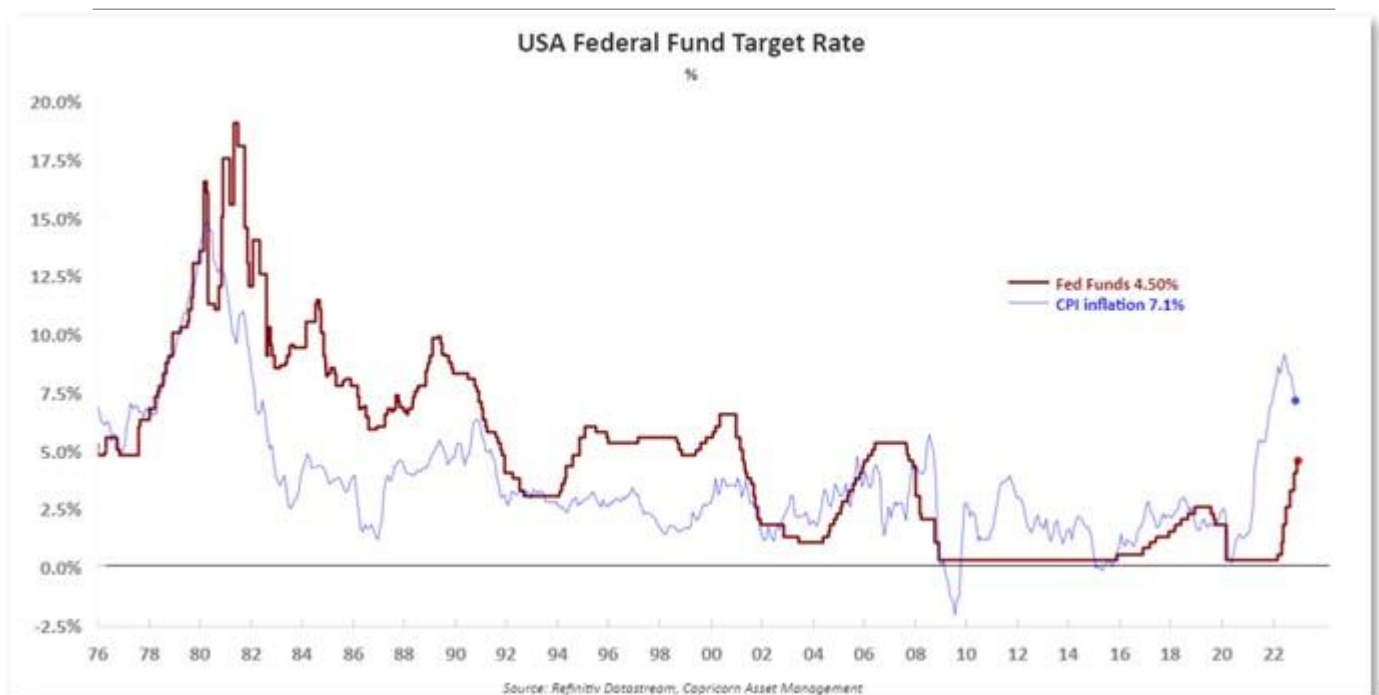


The Daily Brief

 Capricorn Asset Management

Market Update

Thursday, 15 December 2022



Global Markets

Asian stocks sagged on Thursday, tracking declines on Wall Street, after the U.S. Federal Reserve projected higher interest rates for a longer period.

U.S. Treasury yields remained depressed and the curve deeply inverted as traders continued to fret that tighter policy will trigger a recession. The U.S. dollar languished near a six-month low against major peers.

Crude oil, though, continued to firm after bouncing off last week's nearly one-year low, with OPEC and the IEA forecasting a recovery in demand next year as China's economy reopens.

Japan's Nikkei eased 0.17%, while South Korea's Kospi dropped 0.92% and Australia's stock benchmark fell 0.4%.

Hong Kong's Hang Seng tumbled 1.71% and mainland Chinese blue chips declined 0.51%.

MSCI's broadest index of Asia-Pacific shares slumped 0.91%, after climbing as high as 160.37 in the previous session for the first time since late August.

Overnight, the U.S. S&P 500 lost 0.61%, although e-Mini futures pointed to a slight 0.06% bounce for Thursday's reopen.

Fed Chair Jerome Powell said on Wednesday that the central bank will deliver more rate hikes next year even as the economy slips towards a possible recession, arguing that a higher cost would be paid if the U.S. central bank does not get a firmer grip on inflation.

The comments followed the Fed's decision to raise the benchmark rate by an as-expected half a percentage point - down from recent 75 basis point increases - but projected a terminal rate above 5%, a level not seen since a steep economic downturn in 2007.

"This is a very hawkish signal from the Fed: a substantially higher terminal rate than back in September that also has a real upside risk attached to it," TD Securities analysts wrote in a client note.

"The Fed essentially acknowledged at this meeting that inflation is likely to remain stickier than initially expected, necessitating a more restrictive policy stance, which will end up pushing the U.S. economy in a recession in 2023," they added.

"The weakening in risk assets and the flattening of the curve suggest that recession fears may be the dominant driver of market price action."

The 10-year Treasury yield slipped back below 3.5% in Tokyo trading, with the two-year yield also edging lower to under 4.24%.

The spread between them also widened slightly to negative 74.3 basis points. An inverted yield curve has been a reliable indicator of recessions in the past.

The dollar index - which measures the greenback against six top peers, including the euro and sterling - held close to the overnight low of 103.44, a level not seen since June 16. It last stood 0.09% stronger at 103.75.

The euro eased 0.15% to \$1.0664, but still near Wednesday's more-than-six-month peak at \$1.0695.

Sterling edged 0.19% lower to \$1.2405, remaining not far from an overnight top at \$1.2446, also the strongest in just over six months.

Investors' eyes will now be trained on policy decisions from the European Central Bank and Bank of England later in the global day, as officials there also stood ready to hike rates again against the rising risks of fomenting recessions.

Crude oil traders took a more optimistic view on the global economy though, cheered by projections from OPEC and the International Energy Agency.

OPEC said it expects oil demand to grow by 2.25 million barrels per day (bpd) over next year to 101.8 million bpd.

The IEA raised its 2023 oil demand growth estimate to 1.7 million bpd for a total of 101.6 million bpd.

Brent crude futures rose by 1 cent \$82.71 after closing Wednesday's session up \$2.02, while U.S. West Texas Intermediate (WTI) crude futures fell by 4 cents to \$77.24 per barrel, following a \$1.94 rise the previous session.

Source: Reuters Refinitiv

Domestic Markets



South African stocks dropped about 2% on Wednesday, weighed down by a slump in commodity-focused shares and as weak local retail sales data raised concerns about consumer spending power in a high inflation economy.

Lower metals prices hit the mining index, which closed 3.97% weaker, led by Anglo American Platinum, which was down 9.41%. Other miners like Sibanye Stillwater, Anglo American PLC, BHP Group, Impala Platinum and DRDGOLD fell 6.73%, 5.18%, 4.67%, 4.58 and 4%, respectively.

Gold prices stalled on Wednesday as caution ahead of the U.S. Federal Reserve's policy decision due later in the day held investors back from making large bets. Other metals like platinum and palladium fell.

"Equity markets are paring gains ahead of the Federal Reserve announcement on Wednesday, perhaps a little caution ahead of the final decision of the year," Craig Erlam, senior market analyst at OANDA said in a note.

"A dovish Fed today could seal the deal and deliver a Santa rally for the yellow metal in the final weeks of the year."

Economically sensitive sectors such as consumer discretionary were also among the weakest performers after data showed that retail sales fell more than expected in October as consumers felt the pinch of high living costs.

"The high-cost environment means that shoppers likely favoured non-durable household goods," said Jee-A van der Linde, a senior economist at Oxford Economics.

"We believe consumers will continue to feel the squeeze of high living costs, after the South African Reserve Bank hiked interest rates by 75 basis points in November, with more interest rate hikes expected in early 2023."

This data offset improved sentiment on inflation, which slowed to 7.4% year on year in November, pointing to the gradual easing of price pressures in South Africa.

Overall, the Johannesburg All-Share index fell 2.03% while the Top-40 index declined 2.15%. In the currency market, by 1619 GMT, the rand traded at 17.1850 against the dollar, 0.3% stronger than its Tuesday close on eased headline inflation.

The government's benchmark 2030 bond was firmer, with the yield falling 2 basis points to 10.220%.

Source: Reuters Refinitiv

Nothing can have value without being an object of utility.

Karl Marx

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				15 December 2022	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	⇒	8.06	0.000	8.06	8.06
6 months	↑	8.04	0.009	8.03	8.04
9 months	↑	8.58	0.017	8.56	8.58
12 months	↓	8.79	-0.008	8.80	8.79
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	⇒	8.99	0.000	8.99	8.99
GC24 (Coupon 10.50%, BMK R186)	↓	8.28	-0.090	8.37	8.26
GC25 (Coupon 8.50%, BMK R186)	↓	8.73	-0.090	8.82	8.71
GC26 (Coupon 8.50%, BMK R186)	↓	8.79	-0.090	8.88	8.77
GC27 (Coupon 8.00%, BMK R186)	↓	9.76	-0.090	9.85	9.74
GC30 (Coupon 8.00%, BMK R2030)	↓	11.55	-0.120	11.67	11.54
GC32 (Coupon 9.00%, BMK R213)	↓	11.76	-0.120	11.88	11.75
GC35 (Coupon 9.50%, BMK R209)	↓	12.50	-0.115	12.62	12.49
GC37 (Coupon 9.50%, BMK R2037)	↓	13.14	-0.110	13.25	13.12
GC40 (Coupon 9.80%, BMK R214)	↓	13.42	-0.110	13.53	13.38
GC43 (Coupon 10.00%, BMK R2044)	↓	13.99	-0.095	14.09	13.98
GC45 (Coupon 9.85%, BMK R2044)	↓	14.51	-0.095	14.61	14.50
GC48 (Coupon 10.00%, BMK R2048)	↓	14.59	-0.110	14.70	14.58
GC50 (Coupon 10.25%, BMK: R2048)	↓	14.60	-0.110	14.71	14.59
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	⇒	3.90	0.000	3.90	3.90
GI27 (Coupon 4.00%, BMK NCPI)	⇒	3.95	0.000	3.95	3.95
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	0.000	6.61	6.61
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,807	-0.17%	1,810	1,793
Platinum	↓	1,029	-0.38%	1,033	1,014
Brent Crude	↑	82.7	2.50%	80.7	82.2
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,639	-2.02%	1,672	1,639
JSE All Share	↓	74,295	-2.03%	75,835	74,295
SP500	↓	3,995	-0.61%	4,020	3,995
FTSE 100	↓	7,496	-0.09%	7,503	7,496
Hangseng	↑	19,673	0.39%	19,596	19,445
DAX	↓	14,460	-0.26%	14,498	14,460
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	15,463	0.04%	15,457	15,463
Resources	↓	71,507	-4.28%	74,705	71,507
Industrials	↓	93,259	-1.76%	94,927	93,259
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	17.23	-0.02%	17.23	17.19
N\$/Pound	↑	21.40	0.53%	21.29	21.30
N\$/Euro	↑	18.41	0.47%	18.32	18.32
US dollar/ Euro	↑	1.068	0.49%	1.063	1.066
		Namibia		RSA	
Interest Rates & Inflation		Nov 22	Oct 22	Nov 22	Oct 22
Central Bank Rate	↑	6.75	6.25	7.00	6.25
Prime Rate	↑	10.50	10.00	10.50	9.75
		Oct 22	Sep 22	Nov 22	Oct 22
Inflation	⇒	7.1	7.1	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

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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