Market Update Wednesday, 15 June 2022

Global Markets

Asian markets were in a pensive mood on Wednesday as shell-shocked investors waited to see just how aggressive the Federal Reserve would be on rates, with many fearing drastic action would risk tipping the world into recession.

Treasury yields hit decade highs and the dollar a 20-year peak as futures implied it was near certain the Fed would hike by 75 basis points to a range of 1.50-1.75% later on Wednesday. That would be the biggest increase since 1994, and markets already have rates reaching an eye-watering 3.75-4.0% by the end of the year. "Against a backdrop of sky-high inflation, rising rates, and growing recession concerns, the S&P 500 has had its worst start to the year since 1962," noted analysts at Goldman Sachs. "A likely coming peak in inflation is probably not sufficient to see the bottom, and that similar past drawdowns have only ended when the Fed has shifted towards easier policy." That could be some time away so they recommend investors reduce portfolio duration and increase exposure to real assets.

With so much priced in, a few brave investors were looking for bargains and S&P 500 futures edged up 0.2%, while Nasdaq futures rose 0.3%. EUROSTOXX 50 futures added 0.2% and FTSE futures

0.1%. MSCI's broadest index of Asia-Pacific shares outside Japan firmed 0.1% but is down sharply on the week. Japan's Nikkei lost 1.0%, though sentiment was helped by a survey showing an improvement in confidence among Japanese manufacturers.

Chinese shares bucked the trend with a gain of 2.4%. Data on Chinese retail sales and industrial output for May were a little better than forecast, but still showed the drag from coronavirus lockdowns. Authorities in Beijing warned on Tuesday that the city of 22 million was in a "race against time" to get to grips with its most serious outbreak since the pandemic began.

Bond markets tried to rally after their recent hammering, with 10-year Treasury yields dipping to 3.44% and away from Tuesday's peak of 3.498%. Two-year yields stood at 3.38%, after touching the highest since 2007 at 3.456% overnight. Given many U.S. borrowing rates are linked to yields, financial conditions have already tightened markedly there even before the Fed hikes. Treasury yields are also the benchmark for bonds across the globe, so financial conditions are tightening pretty much everywhere. That is a major headwind for consumer spending power while pressuring emerging market countries that borrow in dollars.

It has also tended to boost the U.S. dollar, which hit a 20-year high against a basket of currencies, led by big gains on the low-yielding Japanese yen. The dollar was trading at 135.07 yen, having reached heights last visited in 1998 at 135.60. The latest gains came as the Bank of Japan ramped up its bond buying to keep yields near zero, even as much of the rest of the world tightens policy. Still, the sheer pressure on the yen and bonds has stoked speculation the BOJ could be forced to amend its yield control policy at a meeting on Friday.

The euro was holding on at $1.0425, not far from its May trough of $1.0348. The single currency has found some support from a hawkish turn by the European Central Bank, but is weighed by signs of stress in local bond markets. Yields for more indebted members, notably Italy, have climbed much more quickly than for Germany fanning worries about EU fragmentation.

Surging yields and a sky-high dollar have been a burden for gold, which was near its lowest in a month at $1,814 an ounce. Oil prices edged up after the Organization of the Petroleum Exporting Countries (OPEC) stuck to its forecast that world oil demand will exceed pre-pandemic levels in 2022. Brent was 31 cents firmer at $121.48, while U.S. crude rose 30 cents to $119.23 per barrel.

Domestic Markets

The focus will be on the central bank meetings next few days – BON and FOMC today, BOE tomorrow and BOJ on Friday. EU will publish CPI on Friday.

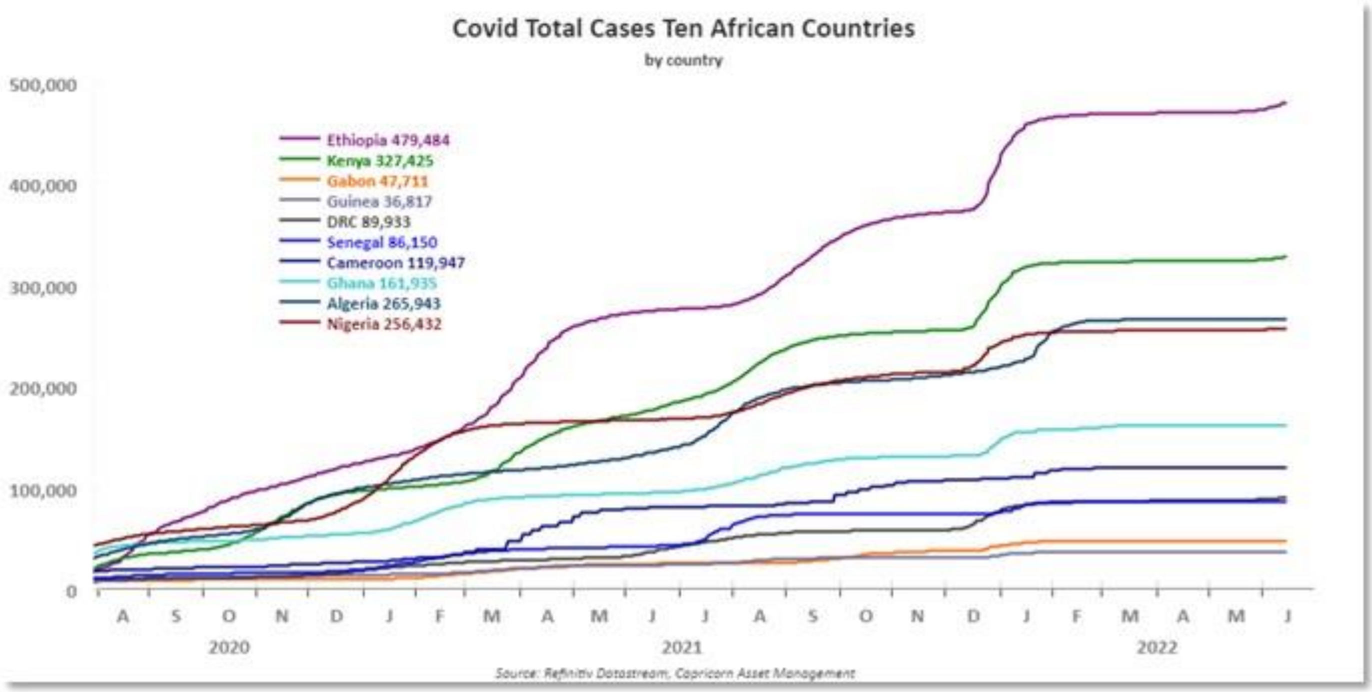
The rand is stronger this morning, at R15.94/$, after closing weaker yesterday (R16.06/$).

The SACCI business confidence index fell to 89.3 in May, from 95.6 in April. Russia's invasion of Ukraine, rising inflation and interest rates domestically and globally, and the KZN floods weighed down confidence in May. Retail sales for April are due out today and likely increased by 1.7%y/y, after March's increase of 1.3% y/y.

On Tuesday, the JSE fell harder than its global peers as the sell-off in resources continued. The industrial materials, industrial metals and mining, personal goods, precious metals and mining (SSW -5.2% after US operations disrupted), and telco indices all gave up at least two percent, while the financial (SBK +2.4% after guiding for HEPS up >20%) and consumer sectors held up. At the close, losers outnumbered gainers by two-to-one on the Top40 and by eight-to-five in the broader market.

Corona Tracker

Name	Cases - cumulative total	Cases - newly reported in last 7 days	Deaths - cumulative total	Deaths - newly reported in last 7 days
Global	**533,816,957**	**3,315,541**	**6,309,633**	**8,389**



Source: Thomson Reuters Refinitiv

Find a place inside where there's joy, and the joy will burn out the pain.

Joseph Campbell

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)					15 June 2022
Money Market TB Rates %		**Last close**	**Difference**	**Prev close**	**Current Spot**
3 months	↑	5.33	0.008	5.32	5.33
6 months	↑	5.88	0.083	5.79	5.88
9 months	↑	6.86	0.075	6.79	6.86
12 months	↑	7.32	0.117	7.20	7.32
Nominal Bond Yields %		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC23 (Coupon 8.85%, BMK R2023)	↑	7.50	0.005	7.49	7.50
GC24 (Coupon 10.50%, BMK R186)	↓	8.39	-0.045	8.43	8.39
GC25 (Coupon 8.50%, BMK R186)	↓	8.84	-0.045	8.88	8.84
GC26 (Coupon 8.50%, BMK R186)	↓	9.55	-0.045	9.59	9.55
GC27 (Coupon 8.00%, BMK R186)	↓	9.87	-0.045	9.91	9.87
GC30 (Coupon 8.00%, BMK R2030)	↓	11.68	-0.060	11.74	11.68
GC32 (Coupon 9.00%, BMK R213)	↓	12.89	-0.090	12.98	12.89
GC35 (Coupon 9.50%, BMK R209)	↓	13.47	-0.095	13.56	13.47
GC37 (Coupon 9.50%, BMK R2037)	↓	14.46	-0.090	14.55	14.46
GC40 (Coupon 9.80%, BMK R214)	↓	14.36	-0.105	14.46	14.36
GC43 (Coupon 10.00%, BMK R2044)	↓	14.65	-0.110	14.76	14.65
GC45 (Coupon 9.85%, BMK R2044)	↓	14.66	-0.110	14.77	14.66
GC48 (Coupon 10.00%, BMK R2048)	↓	15.09	-0.095	15.19	15.09
GC50 (Coupon 10.25%, BMK: R2048)	↓	14.83	-0.095	14.93	14.83
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	↓	1,808	-0.59%	1,819	1,818
Platinum	↓	919	-1.48%	933	930
Brent Crude	↓	121.2	-0.90%	122.3	121.5
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	↓	1,625	-1.38%	1,648	1,625
JSE All Share	↓	65,684	-1.05%	66,381	65,684
SP500	↓	3,735	-0.38%	3,750	3,735
FTSE 100	↓	7,187	-0.25%	7,206	7,187
Hangseng	↑	21,068	0.00%	21,068	21,340
DAX	↓	13,304	-0.91%	13,427	13,304
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	↑	15,143	0.24%	15,107	15,143
Resources	↓	68,341	-2.02%	69,751	68,341
Industrials	↓	73,211	-1.02%	73,962	73,211
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	↓	16.02	-0.48%	16.10	15.98
N$/Pound	↓	19.22	-1.57%	19.53	19.17
N$/Euro	↓	16.69	-0.39%	16.75	16.70
US dollar/ Euro	↑	1.041	0.06%	1.041	1.046
		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 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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