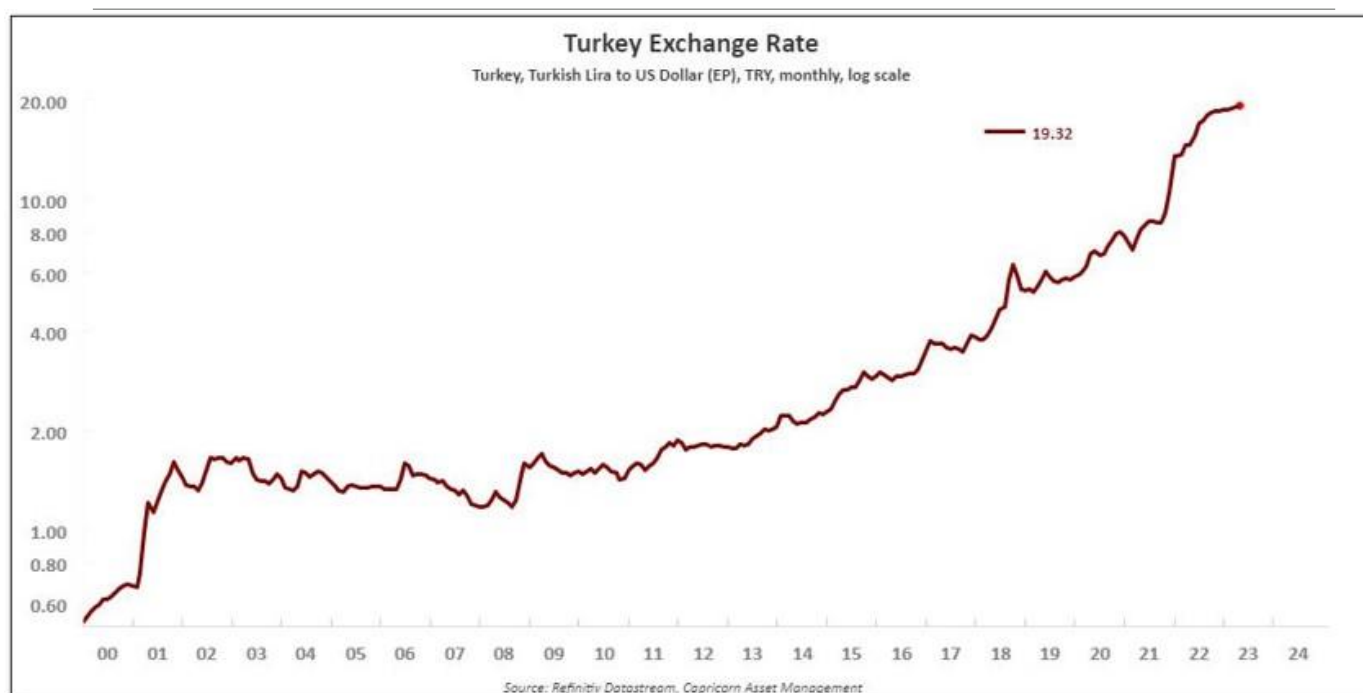




## Market Update

Monday, 15 May 2023



## Global Markets

Asian stocks started the week on a cautious note as investors braced for the release of China's industrial and retail data, while awaiting a host of U.S. Federal Reserve officials to speak to vindicate market pricing of rate cuts this year.

Both S&P 500 futures and Nasdaq futures eased 0.1% in early trade, following a report on Friday showed U.S. consumer sentiment slumped to a six-month low in May and long-term inflation expectations jumped to the highest since 2011, boosting the U.S. dollar and Treasury yields.

In emerging markets, the Turkish lira sank to a two-month low after weekend elections looked headed for a runoff, while the Thai baht rallied almost 1% after Thailand's opposition routed military-allied parties also in weekend polls.

On Monday, MSCI's broadest index of Asia-Pacific shares outside Japan wobbled between losses and gains and was last up 0.1%. Japan's Nikkei bucked the trend with a gain of 0.5%, building on the optimism from last week during the earnings season.

China's blue-chip index was flat in early trade, after skidding 2% last week, while Hong Kong's Hang Seng index rose 0.3%, having also taken a 2.1% battering.

The country's central bank on Monday rolled over maturing medium-term policy loans while keeping interest rates unchanged, despite disappointing data last week that fuelled concerns about a global slowdown.

China is due to report monthly industrial production, retail sales and fixed asset investment data on Tuesday.

"A big year-on-year improvement shouldn't surprise given it is measured against a stagnant economy that was in lockdown," said Chris Weston, head of research at Pepperstone.

"However, with China's data throwing up a few concerns of late - we've seen poor import, PPI, and loan data - China's growth is very much at the heart of market moves," said Weston.

Also this week, a host of Federal Reserve officials are speaking, with Chair Jerome Powell set for Friday, and could generate plenty of headlines to move the dial further.

Markets are still seeing this is the peak for Fed funds rates and pricing in 70 basis points in cuts by the end of this year, after the CPI and PPI data last week supported the case of Fed pausing given the slowing inflation.

Fed Governor Michelle Bowman said on Friday that the U.S. central bank probably will need to raise interest rates further if inflation stays high.

Joseph Capurso, head of International Economics at Commonwealth Bank of Australia, believes the persistence of U.S. inflation would take out the pricing for near term cuts to the Funds rate, and contribute to a recovery in the dollar in coming months.

The U.S. dollar was hovering around a five-week high against major peers on Monday, extending its best weekly rise since September from the week before. It was last at 102.64, after surging 1.4% last week on global growth concerns.

Very much on investors' minds was the uncertainty about lifting the U.S. debt ceiling and the return of bank worries. U.S. President Joe Biden expects to meet with Congressional leaders on Tuesday for talks to raise the nation's debt limit and avoid a catastrophic default.

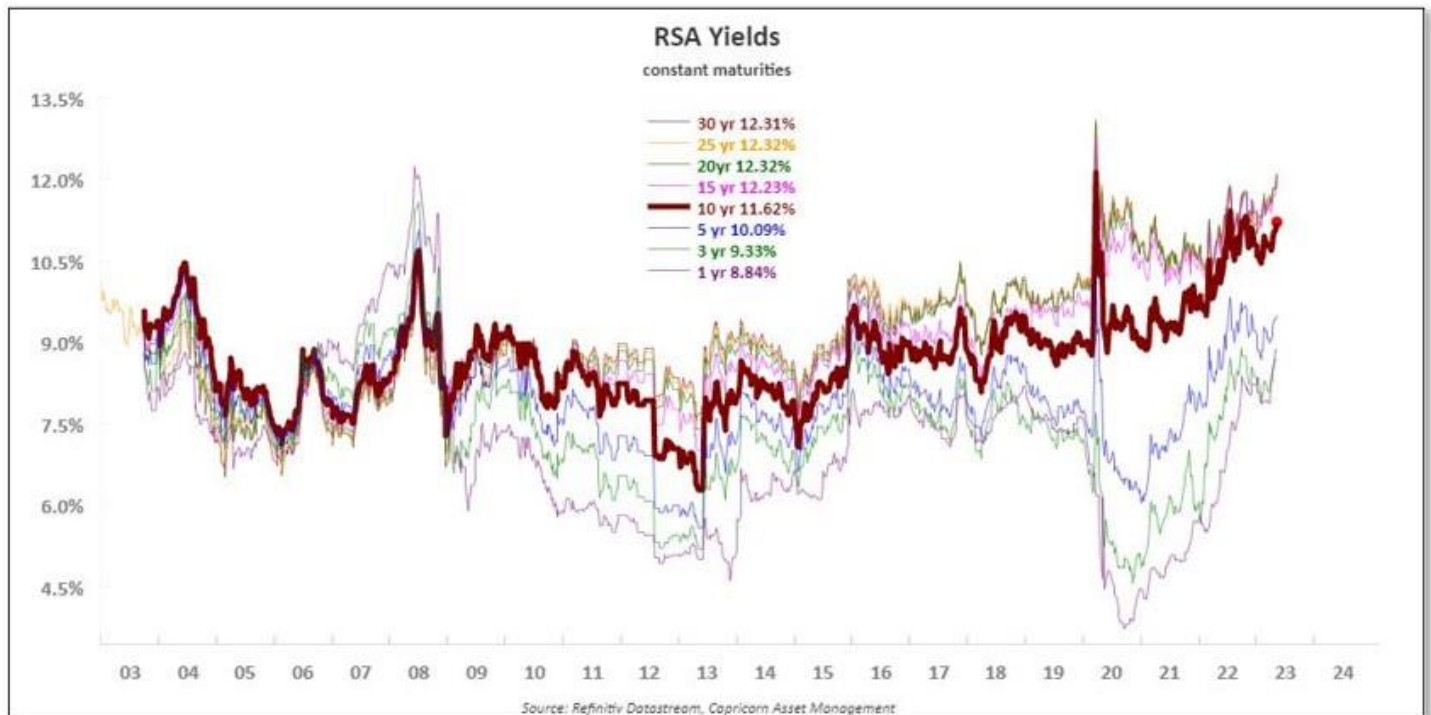
Concerns about U.S. Congress not raising the debt ceiling on time have created large distortions in the short-end of the yield curve as investors avoid bills that come due when the Treasury is at risk of running out of funds, and pour into alternative issues.

The yield on benchmark 10-year notes was little changed at 3.4588%, after rising 6 basis points on Friday, and two-year yields eased 2 basis points to 3.9830%, having also jumped 10 basis points in the previous session.

Oil prices declined for the fourth straight session. U.S. crude futures eased 0.5% to \$69.71 per barrel, while Brent crude futures were down 0.6% to \$73.74 per barrel.

Gold prices were 0.2% higher at \$2,014.95.49 per ounce.

**Source: Thomson Reuters Refinitiv**



## Domestic Markets

The South African rand set a record closing low against the dollar on Friday but ended far from session lows after officials said the country had not approved any arms shipment to Russia late last year.

The currency was pummelled this week by investor concerns over the worst power cuts on record followed by a U.S. allegation that a Russian ship had picked up weapons in South Africa in December.

The rand recovered from its weakest level ever of 19.51 to the dollar hit earlier in the day but set a record closing low of 19.33. It fell 4.7% this week, the largest weekly drop in nine months.

"The risk of SA being seen to, or actually, collaborating with Russia should not be underestimated," said Investec Chief Economist Annabel Bishop in a research note.

There could be further substantial rand weakness if South Africa is proven to have helped Russia, which will heighten inflation amid already worsening power cuts, she said.

U.S. Ambassador to South Africa Reuben Brigety said he had spoken to Foreign Minister Naledi Pandor on Friday "to correct any misimpressions left by my public remarks" about the Russian ship accusations.

JP Morgan predicted on Friday that South African economic output would contract this year by 0.2% due to rolling blackouts.

### **MORE INTEREST RATE HIKES**

The weaker rand was also adding to concerns about high inflation which could keep the South African central bank hiking interest rates longer than expected.

"The rand has come under pressure which, at the margin, makes it more likely that the Reserve Bank will hike interest rates further than we expect," Jason Tuvey, deputy chief emerging market economist at Capital Economics said in a note.

This could be another challenge for investors and households alike already grappling with high inflation and cost of servicing debt.

The Johannesburg stock market was firmer on Friday after slumping the day before.

The blue-chip index of top 40 companies ended up 1.85% and the all-share index was up by 1.73%, both securing small gains for the week.

The benchmark 2030 government bond was slightly weaker in price, with the yield up 8 basis points at 10.940%.

**Source: Thomson Reuters Refinitiv**

Have patience. All things are difficult before they become easy.

Saadi



## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				15 May 2023	
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	⬆️	8.18	0.058	8.12	8.18
6 months	⬆️	8.76	0.075	8.68	8.76
9 months	⬆️	9.00	0.100	8.90	9.00
12 months	⬆️	9.09	0.116	8.98	9.09
<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)	➡️	8.30	0.000	8.30	8.30
GC24 (Coupon 10.50%, BMK R186)	⬆️	9.69	0.045	9.64	9.59
GC25 (Coupon 8.50%, BMK R186)	⬆️	9.89	0.045	9.84	9.79
GC26 (Coupon 8.50%, BMK R186)	⬆️	9.72	0.045	9.67	9.62
GC27 (Coupon 8.00%, BMK R186)	⬆️	10.33	0.045	10.28	10.23
GC28 (Coupon 8.50%, BMK R2030)	⬆️	10.74	0.080	10.66	10.74
GC30 (Coupon 8.00%, BMK R2030)	⬆️	11.24	0.080	11.16	11.24
GC32 (Coupon 9.00%, BMK R213)	⬆️	11.53	0.030	11.50	11.48
GC35 (Coupon 9.50%, BMK R209)	⬆️	12.61	0.065	12.55	12.51
GC37 (Coupon 9.50%, BMK R2037)	⬆️	13.48	0.075	13.40	13.37
GC40 (Coupon 9.80%, BMK R214)	⬆️	13.50	0.025	13.48	13.40
GC43 (Coupon 10.00%, BMK R2044)	⬆️	13.56	0.020	13.54	13.46
GC45 (Coupon 9.85%, BMK R2044)	⬆️	14.01	0.020	13.99	13.91
GC48 (Coupon 10.00%, BMK R2048)	⬆️	14.21	0.025	14.18	14.11
GC50 (Coupon 10.25%, BMK: R2048)	⬆️	14.16	0.025	14.13	14.06
<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)	➡️	3.29	0.000	3.29	3.29
GI27 (Coupon 4.00%, BMK NCPI)	⬆️	3.69	0.101	3.59	3.69
GI29 (Coupon 4.50%, BMK NCPI)	⬇️	5.05	-0.090	5.14	5.05
GI33 (Coupon 4.50%, BMK NCPI)	⬇️	6.05	-0.085	6.13	6.05
GI36 (Coupon 4.80%, BMK NCPI)	⬇️	6.38	-0.045	6.43	6.38
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	⬇️	2,011	-0.22%	2,016	2,016
Platinum	⬇️	1,050	-4.04%	1,094	1,057
Brent Crude	⬇️	74.2	-1.08%	75.0	73.7
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	⬆️	1,537	1.36%	1,517	1,537
JSE All Share	⬆️	78,330	1.73%	76,997	78,330
SP500	⬇️	4,124	-0.16%	4,131	4,124
FTSE 100	⬆️	7,755	0.31%	7,731	7,755
Hangseng	⬇️	19,627	-0.59%	19,744	19,803
DAX	⬆️	15,914	0.50%	15,835	15,914
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	⬆️	14,941	1.91%	14,661	14,941
Resources	⬆️	69,837	0.82%	69,272	69,837
Industrials	⬆️	108,036	2.26%	105,652	108,036
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	⬆️	19.35	0.93%	19.17	19.33
N\$/Pound	⬆️	24.10	0.51%	23.98	24.09
N\$/Euro	⬆️	20.99	0.31%	20.92	21.00
US dollar/ Euro	⬇️	1.085	-0.60%	1.091	1.086
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>Apr 23</b>	<b>Mar 23</b>	<b>Apr 23</b>	<b>Mar 23</b>
Central Bank Rate	⬆️	7.25	7.00	7.75	7.75
Prime Rate	⬆️	11.00	10.75	11.25	10.75
		<b>Apr 23</b>	<b>Mar 23</b>	<b>Mar 23</b>	<b>Feb 23</b>
Inflation	⬇️	6.1	7.2	7.1	7.0

**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

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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.*



**Capricorn Asset Management**



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