

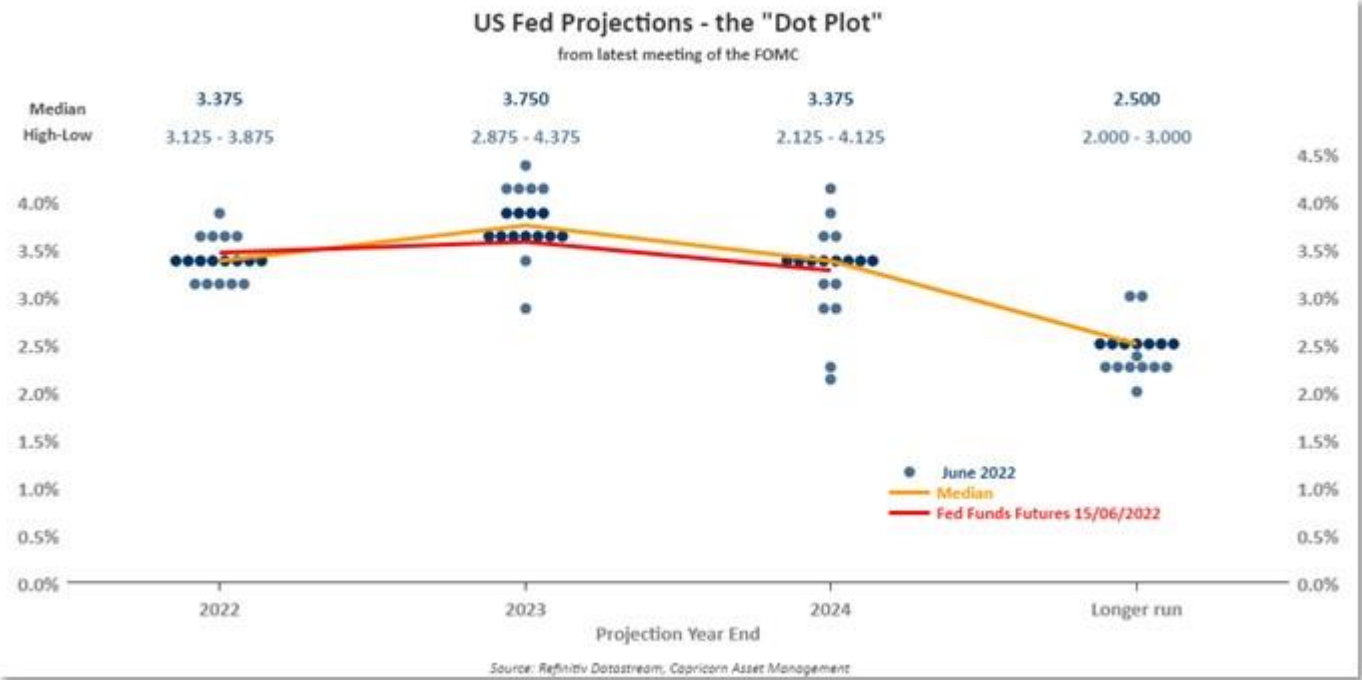


# The Daily Brief

Capricorn Asset Management

Market Update

Thursday, 16 June 2022



## Global Markets

Asian stocks rose on Thursday, while longer-dated U.S. government bond yields fell and the dollar was down from two-decade highs after the U.S. Federal Reserve delivered an aggressive rate hike and cut its growth projections.

The U.S. central bank on Wednesday approved its biggest interest rate hike since 1994, lifting the target federal funds rate by 75 basis points to a range of between 1.5% and 1.75%. Fed officials also see further steady rises this year, targeting a federal funds rate of 3.4% by year-end. The move, which had been fully priced in by markets, followed data on Friday showing a sharper-than-expected rise in U.S. inflation in May, as well as a University of Michigan survey showing consumers' five-year inflation expectations jumping sharply to their highest since June 2008. In a news conference following the Fed's latest two-day policy meeting, Fed Chair Jerome Powell said that the survey was "quite eye-catching".

"(Inflation expectations) are starting to look like they're too high. That I think is one reason why Powell wanted to do a 75 ... And I think they will also go again in July," said Joseph Capurso, head of international economics at Commonwealth Bank of Australia. "They've got to get inflation down. They're so far behind the curve it's not funny." Investors appeared to take comfort from the view that the U.S. economy will benefit in the long run if prices are brought under control in the short term. Fed projections showed economic growth slowing to a below-trend rate of 1.7%, and policymakers expect to cut interest rates in 2024.

MSCI's broadest index of Asia-Pacific shares outside Japan tracked a higher close on Wall Street, adding 0.40% in the morning session. Seoul's KOSPI added 1.24%, while Australian shares rose 0.49% and Chinese blue-chips added 0.12%. In Tokyo, the Nikkei was up 1.70%. Overnight, the Dow Jones Industrial Average ended the session by jumping 1%. The S&P 500 leapt 1.46%, and the Nasdaq Composite climbed 2.5%.

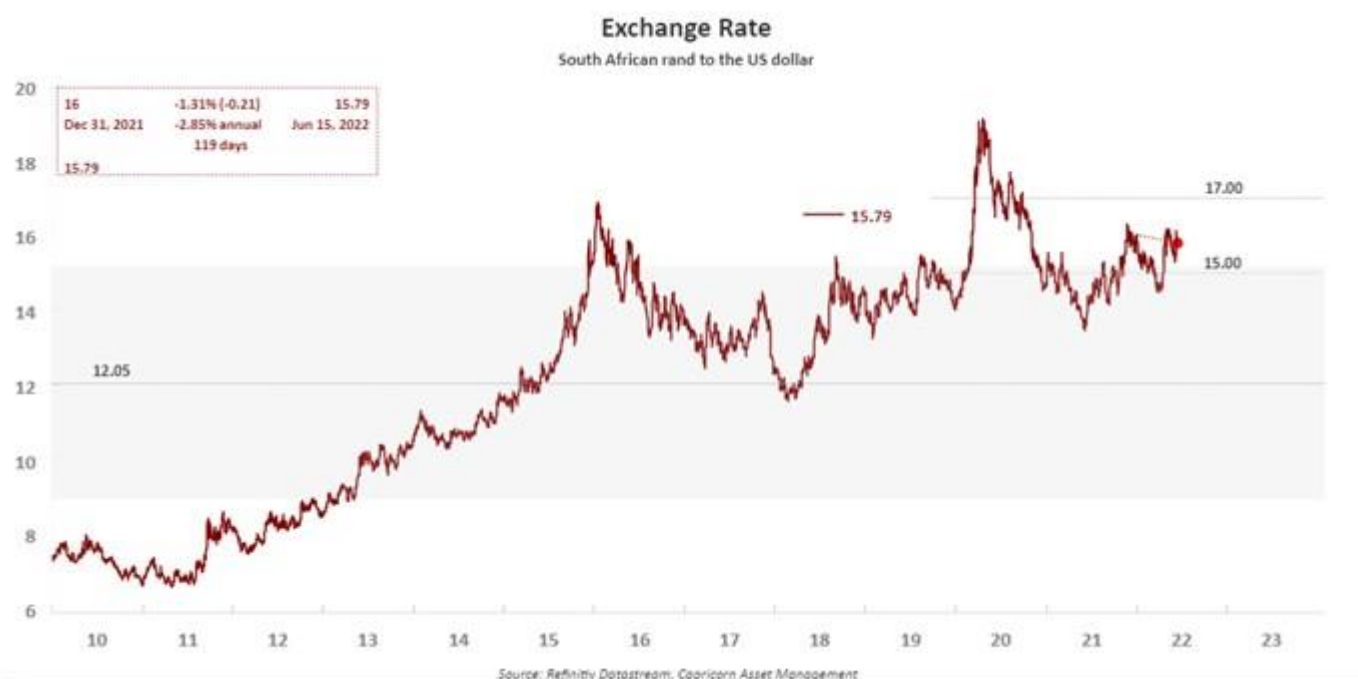
The dollar, which retreated from a 20-year peak after the Fed meeting, regained some footing in the Asian session. "It looked like a classic case of 'buy the rumour, sell the fact' as the dollar sold off and Wall Street rallied," said Matt Simpson, senior market analyst at CityIndex. "(But) given the trajectory for Fed hikes ... we very much doubt the top is in place for the U.S. dollar." The global dollar index, which tracks the greenback against a basket of six peers, was last up 0.24% at 105.05 as the dollar jumped nearly 0.6% against the yen to 134.61.

The euro edged down about 0.1% to \$1.0434.

Reflecting expectations for more Fed tightening, the yield on U.S. two-year Treasury notes, which are sensitive to traders' expectations of Fed fund rates, rose to 3.3060% from a close of 3.2790% on Wednesday. The U.S. 10-year yield was lower at 3.3696% from a close of 3.3950%.

In commodity markets, oil prices rebounded after falling more than 2% following the Fed decision. Brent crude was last up 1% to \$119.68 per barrel and U.S. crude added 1.1% to \$116.58. Gold was slightly lower as the dollar firmed. Spot gold last traded at \$1,830.19, down 0.17% on the day.

## Domestic Markets



South Africa's rand slipped on Wednesday as the dollar remained near the two-decade high touched in the previous session ahead of a U.S. Federal Reserve policy meeting.

At 1522 GMT, the rand traded at 16.0400 against the dollar, 0.03% weaker than its previous close. On Thursday morning it is stronger at 15.83.

The dollar index, which measures the greenback against a basket of six major peers, was trading at around 105.40, after hitting 105.65 on Tuesday, its strongest level since late 2002.

ETM Analytics said in a note that the direction of the dollar and currency markets will depend on tonight's Fed's rate decision and the forward guidance provided in the policy statement. "Looking ahead, we see further downside risks for EM (emerging markets) and frontier market currencies in the near term, especially for those with weak fundamentals, as risks of capital outflows heighten further," ETM Analytics added.

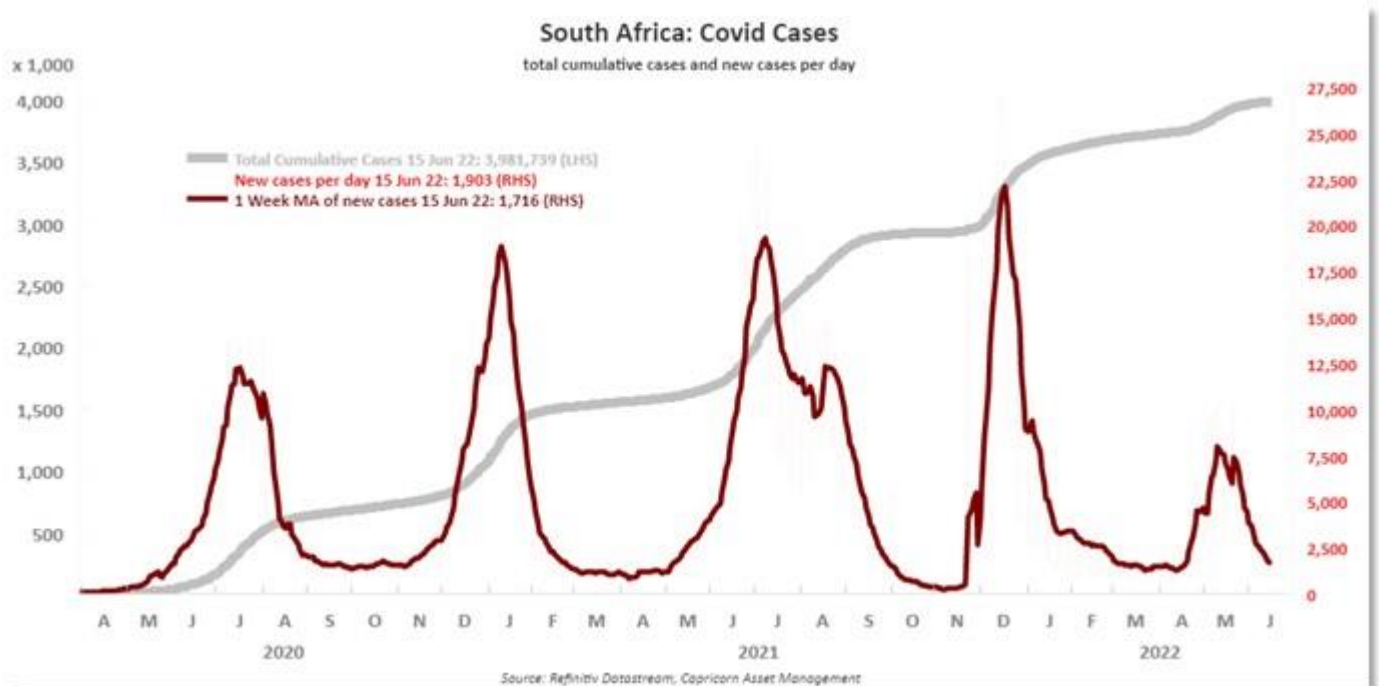
On the stock market, the Top-40 index grew 2.9% to 61,163 points while the broader all-share rose 2.77% to 67,502 points. "We're seeing a modest recovery in equity markets ahead of some key central bank meetings but investors remain wary of what's to come," Craig Erlam, senior market analyst at OANDA, said.

Retail stocks were among the gainers, with fashion and food retailer Woolworths up 4.06% and biggest grocery chain Shoprite up 3.94% after retail sales grew 3.4% year-on-year in April after rising by a revised 1.7% in March. The market had expected a 1.6% increase.

The government's benchmark 2030 bond rose, with the yield down 13.5 basis points to 10.255%.

## Corona Tracker

Name	Cases - cumulative total	Cases - newly reported in last 7 days	Deaths - cumulative total	Deaths - newly reported in last 7 days
Global	534,495,291	3,485,948	6,311,088	8,591



Source: Thomson Reuters Refinitiv

Peace is a daily, a weekly, a monthly process, gradually changing opinions, slowly eroding old barriers, quietly building new structures.

**John F. Kennedy**

## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)					16 June 2022
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	⇒	5.33	0.000	5.33	5.33
6 months	⇒	5.88	0.000	5.88	5.88
9 months	⇓	6.86	-0.008	6.86	6.86
12 months	⇒	7.32	0.000	7.32	7.32
<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)	⇓	7.37	-0.130	7.50	7.37
GC24 (Coupon 10.50%, BMK R186)	⇓	8.23	-0.155	8.39	8.23
GC25 (Coupon 8.50%, BMK R186)	⇓	8.68	-0.155	8.84	8.68
GC26 (Coupon 8.50%, BMK R186)	⇓	9.39	-0.155	9.55	9.39
GC27 (Coupon 8.00%, BMK R186)	⇓	9.71	-0.155	9.87	9.71
GC30 (Coupon 8.00%, BMK R2030)	⇓	11.55	-0.135	11.68	11.55
GC32 (Coupon 9.00%, BMK R213)	⇓	12.77	-0.120	12.89	12.77
GC35 (Coupon 9.50%, BMK R209)	⇓	13.34	-0.125	13.47	13.34
GC37 (Coupon 9.50%, BMK R2037)	⇓	14.33	-0.130	14.46	14.33
GC40 (Coupon 9.80%, BMK R214)	⇓	14.24	-0.115	14.36	14.23
GC43 (Coupon 10.00%, BMK R2044)	⇓	14.53	-0.120	14.65	14.53
GC45 (Coupon 9.85%, BMK R2044)	⇓	14.54	-0.120	14.66	14.54
GC48 (Coupon 10.00%, BMK R2048)	⇓	14.97	-0.125	15.09	14.97
GC50 (Coupon 10.25%, BMK: R2048)	⇓	14.71	-0.125	14.83	14.71
<b>Inflation-Linked Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
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
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	⇓	1,833	1.40%	1,808	1,832
Platinum	⇓	939	2.04%	921	935
Brent Crude	⇓	118.5	-2.20%	121.2	119.2
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	⇓	1,672	2.89%	1,625	1,672
JSE All Share	⇓	67,502	2.77%	65,684	67,502
SP500	⇓	3,790	1.46%	3,735	3,790
FTSE 100	⇓	7,273	1.20%	7,187	7,273
Hangseng	⇓	21,308	1.14%	21,068	21,015
DAX	⇓	13,485	1.36%	13,304	13,485
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	⇓	15,487	2.27%	15,143	15,487
Resources	⇓	70,819	3.63%	68,341	70,819
Industrials	⇓	75,182	2.69%	73,211	75,182
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	⇓	15.75	-1.69%	16.02	15.81
N\$/Pound	⇓	19.18	-0.23%	19.22	19.21
N\$/Euro	⇓	16.44	-1.47%	16.69	16.50
US dollar/ Euro	⇓	1.044	0.28%	1.041	1.043
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>Jun 22</b>	<b>May 22</b>	<b>May 22</b>	<b>Apr 22</b>
Central Bank Rate	⇓	4.75	4.25	4.75	4.25
Prime Rate	⇓	8.50	8.00	8.25	7.75
		<b>May 22</b>	<b>Apr 22</b>	<b>Apr 22</b>	<b>Mar 22</b>
Inflation	⇓	5.4	5.6	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

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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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