The Daily Brief

Capricorn Asset Management

Market Update — Monday, 16 May 2022

Global Markets

Asian share markets were struggling to sustain even a minor rally on Monday after shockingly weak data from China underlined the deep damage lockdowns were doing to the world's second-largest economy. China's April retail sales plunged 11.1% on the year, almost twice the drop forecast, while industrial output dropped 2.9% when analysts had looked for a slight increase. The risks had been to the downside given new bank lending in China hit the lowest in nearly four and half years in April. China's central bank also disappointed those hoping for a rate easing, though Beijing on Sunday did allow a further cut in mortgage loan interest rates for some home buyers. News that Shanghai was relaxing some of its lockdown restrictions offered only cold comfort to investors.

Chinese blue chips shed 0.4% in reaction, while commodity currencies took a knock led by the Australian dollar which is often used as a liquid proxy for the yuan. MSCI's broadest index of Asia-Pacific shares outside Japan was still up 0.2%, though that followed a 2.7% slide last week when it hit a two-year low. Japan's Nikkei clung to gains of 0.6%, having lost 2.1% last week even as a weak yen offered some support to exporters. EUROSTOXX 50 futures and FTSE futures went flat. S&P 500 stock futures lost early gains to ease 0.4%, while Nasdaq futures fell 0.3%. Both are far from last year's highs, with the S&P having fallen for six straight weeks.

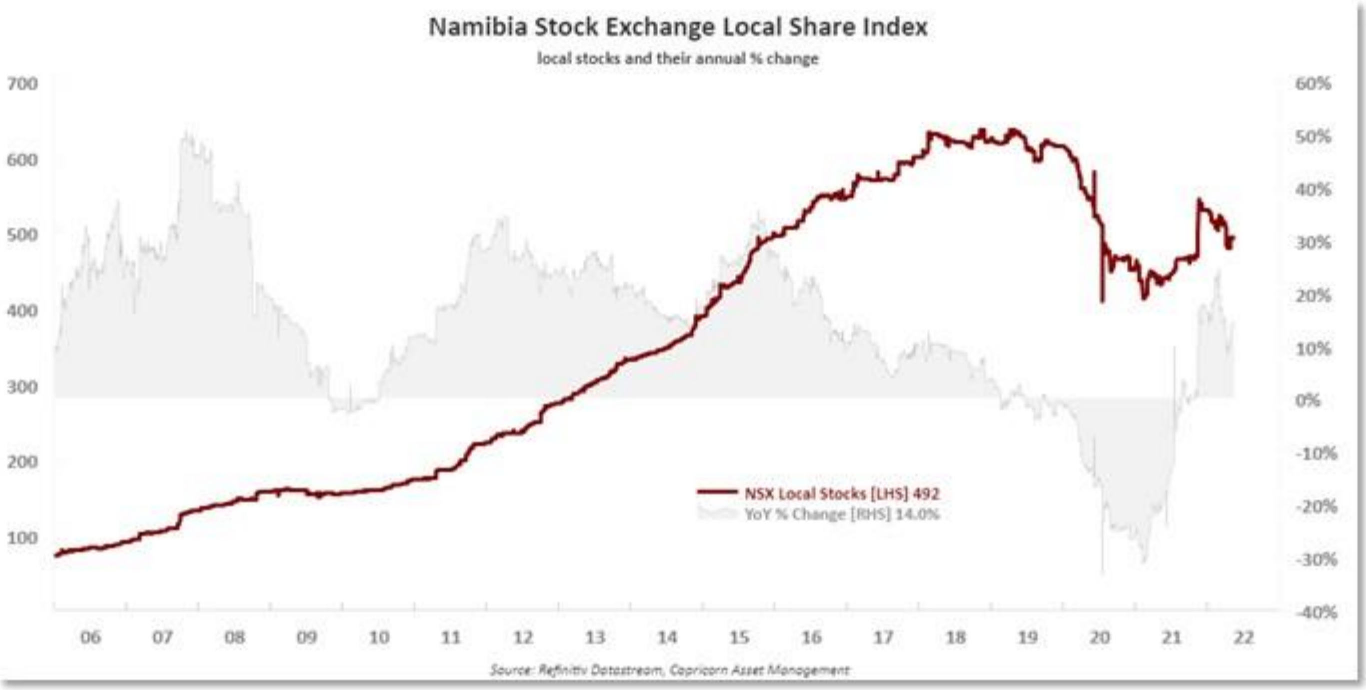
Sky-high inflation and rising interest rates saw U.S. consumer confidence sink to an 11-year low in early May and raised the stakes for April retail sales due on Tuesday. A hyper-hawkish Federal Reserve has driven a sharp tightening in financial conditions, which led Goldman Sachs to cut its 2022 GDP growth forecast to 2.4%, from 2.6%. Growth in 2023 is now seen at 1.6% on an annual basis down from 2.2%.

"Our financial conditions index has tightened by over 100 basis points, which should create a drag on GDP growth of about 1pp," said Goldman Sachs economist Jan Hatzius. "We expect that the recent tightening in financial conditions will persist, in part because we think the Fed will deliver on what is priced." Futures imply 50 basis-point hikes in both June and July and rates between 2.5-3.0% by year-end, from the current 0.75-1.0%. Fears that all this tightening will lead to recession spurred a rally in bonds last week, which saw 10-year yields drop 21 basis points from peaks of 3.20%. Early Monday, yields were easing again to reach 2.91%.

The pullback saw the dollar come off a two-decade top, though not by much. The dollar index was last at 104.560 and within spitting distance of the 105.010 peak. The euro stood at $1.0394, having got as low as $1.0348 last week. The dollar did lose ground on the yen which seemed to get a safe-haven bid in the wake of the China data, slipping to 128.88 yen.

In cryptocurrencies, Bitcoin was last up 2% at $30,354, having touched its lowest since December 2020 last week following the collapse of TerraUSD, a so-called stablecoin. In commodity markets, gold was pressured by high yields and a strong dollar and was last at $1,811 an ounce having shed 3.8% last week. Oil prices reversed course as the dire Chinese data rekindled worries about demand. Brent lost $1.22 to $110.33, while U.S. crude shed $1.04 cents to $109.45.

Domestic Markets



The South African rand slipped on Friday and was on course for a weekly loss of almost 1% versus the dollar against a backdrop of global economic uncertainty linked to monetary policy tightening and the war in Ukraine.

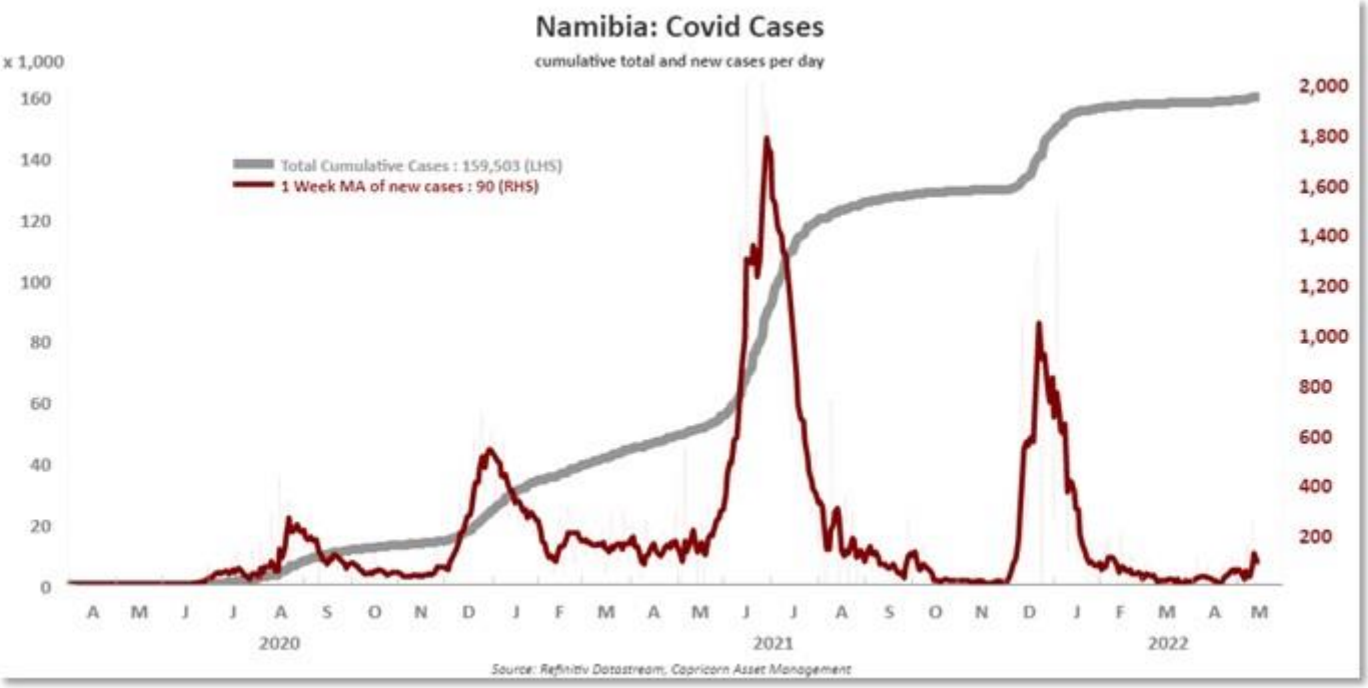
At 1515 GMT, the risk-sensitive rand traded at 16.1600 against the dollar, 0.4% weaker than its close on Thursday. This week the rand has mainly tracked global factors. On the domestic front, power cuts by struggling state-owned utility Eskom and rising COVID-19 infections cloud the economic growth outlook.

Market attention next week shifts to a monetary policy decision by the South African Reserve Bank that will be announced on Thursday. A Reuters poll published on Friday forecast the bank would make its first 50 basis point repo rate hike in more than six years, taking it to 4.75%, to prevent potential second-round effects from higher consumer prices. A hike could support the rand in the wake of the U.S. Federal Reserve's 50 basis point hike last week.

On Friday two major indexes on the Johannesburg Stock Exchange rose. The All-share index added 2.08% and the Top-40 index closed up 2.23%.

Corona Tracker

Name	Cases - cumulative total	Cases - newly reported in last 7 days	Deaths - cumulative total	Deaths - newly reported in last 7 days
Global	517,648,631	3,590,996	6,261,708	9,970



Source: Thomson Reuters Refinitiv

Optimism is the faith that leads to achievement.
Nothing can be done without hope and confidence.
Helen Keller

Market Overview

Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months		4.87	0.000	4.87	4.87
6 months		5.52	0.017	5.50	5.52
9 months		6.38	0.000	6.38	6.38
12 months		6.79	-0.016	6.81	6.79
Nominal Bond Yields %		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC23 (Coupon 8.85%, BMK R2023)		7.17	0.060	7.11	7.21
GC24 (Coupon 10.50%, BMK R186)		7.85	0.020	7.83	7.85
GC25 (Coupon 8.50%, BMK R186)		8.30	0.020	8.28	8.30
GC26 (Coupon 8.50%, BMK R186)		9.01	0.020	8.99	9.01
GC27 (Coupon 8.00%, BMK R186)		9.33	0.020	9.31	9.33
GC30 (Coupon 8.00%, BMK R2030)		11.29	0.030	11.26	11.29
GC32 (Coupon 9.00%, BMK R213)		12.48	0.035	12.44	12.47
GC35 (Coupon 9.50%, BMK R209)		13.06	0.045	13.01	13.05
GC37 (Coupon 9.50%, BMK R2037)		14.05	0.045	14.00	14.03
GC40 (Coupon 9.80%, BMK R214)		13.94	0.050	13.89	13.94
GC43 (Coupon 10.00%, BMK R2044)		14.25	0.045	14.20	14.25
GC45 (Coupon 9.85%, BMK R2044)		14.26	0.045	14.21	14.26
GC48 (Coupon 10.00%, BMK R2048)		14.66	0.040	14.62	14.67
GC50 (Coupon 10.25%, BMK: R2048)		14.40	0.040	14.36	14.41
Inflation-Linked Bond Yields %		**Last close**	**Difference**	**Prev close**	**Current Spot**
GI22 (Coupon 3.55%, BMK NCPI)		3.55	0.000	3.55	3.55
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)		5.33	0.000	5.33	5.33
GI33 (Coupon 4.50%, BMK NCPI)		7.24	0.000	7.24	7.24
GI36 (Coupon 4.80%, BMK NCPI)		7.70	-0.203	7.90	7.70
Commodities		**Last close**	**Change**	**Prev close**	**Current Spot**
Gold		1,811	-0.58%	1,822	1,810
Platinum		939	-0.54%	944	942
Brent Crude		111.6	3.82%	107.5	109.8
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index		1,631	0.78%	1,618	1,631
JSE All Share		68,651	2.08%	67,252	68,651
SP500		4,024	2.39%	3,930	4,024
FTSE 100		7,418	2.55%	7,233	7,418
Hangseng		19,899	2.68%	19,380	19,825
DAX		14,028	2.10%	13,740	14,028
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials		15,735	0.92%	15,591	15,735
Resources		70,768	4.21%	67,912	70,768
Industrials		77,046	1.60%	75,834	77,046
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar		16.16	0.51%	16.07	16.21
N$/Pound		19.81	1.02%	19.61	19.84
N$/Euro		16.82	0.82%	16.68	16.85
US dollar/ Euro		1.041	0.31%	1.038	1.040
		Namibia		**RSA**	
Interest Rates & Inflation		**Apr 22**	**Mar 22**	**Apr 22**	**Mar 22**
Central Bank Rate		4.25	4.00	4.25	4.25
Prime Rate		8.00	7.75	7.75	7.75
		Apr 22	**Mar 22**	**Mar 22**	**Feb 22**
Inflation		5.6	4.5	5.9	5.7

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.

Capricorn Asset Management   Bank Windhoek

For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na