

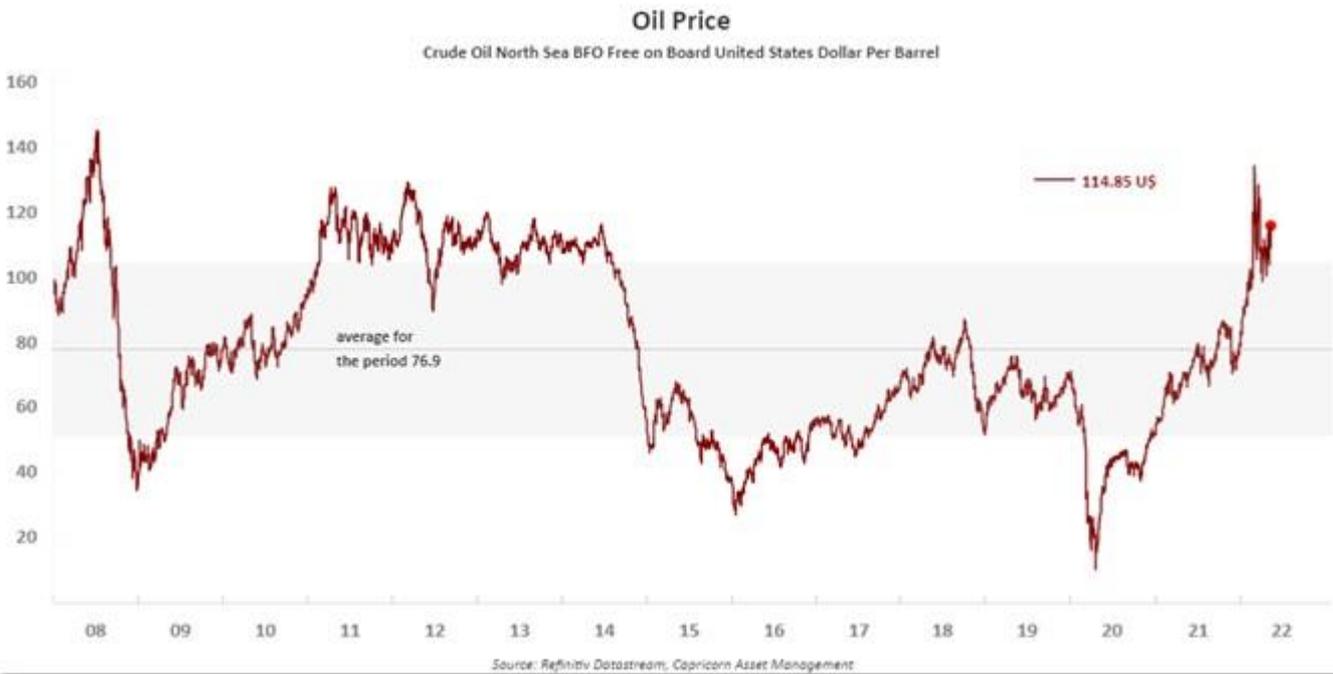


The Daily Brief

Capricorn Asset Management

Market Update

Tuesday, 17 May 2022



Global Markets

Asian shares edged higher on Tuesday despite data reinforcing investor fears the global economic recovery may be more fragile than expected, even as inflationary pressures remain high.

MSCI's broadest index of Asia-Pacific shares outside Japan gained 0.84% on Tuesday but is still down 6.7% so far this month. U.S. stocks ended the previous session with mild losses. In Tokyo, the Nikkei was flat in early trade, while in Australia the S&P/ASX200 index gained 0.34%. Hong Kong's Hang Seng Index was 1.2% higher and mainland China's CSI300 Index gained 0.07%.

The U.S. dollar index, which tracks the greenback against a basket of currencies of other major trading partners, was flat in Asian trade to be at 104.1. Economic growth fears in the world's two largest economies have re-emerged following weak retail sales and factory production figures in China and disappointing U.S. manufacturing data. Investors are also weighing the global inflationary impact of lockdowns in China to combat the coronavirus, which has halted factory production in areas across the country.

"One important way China's lockdowns could impact the rest of the world is through its impact on inflation. After all, inflation – and the central bank response – has been a stiff headwind for global bond and equity markets this year," Capital Economics wrote in a note to clients.

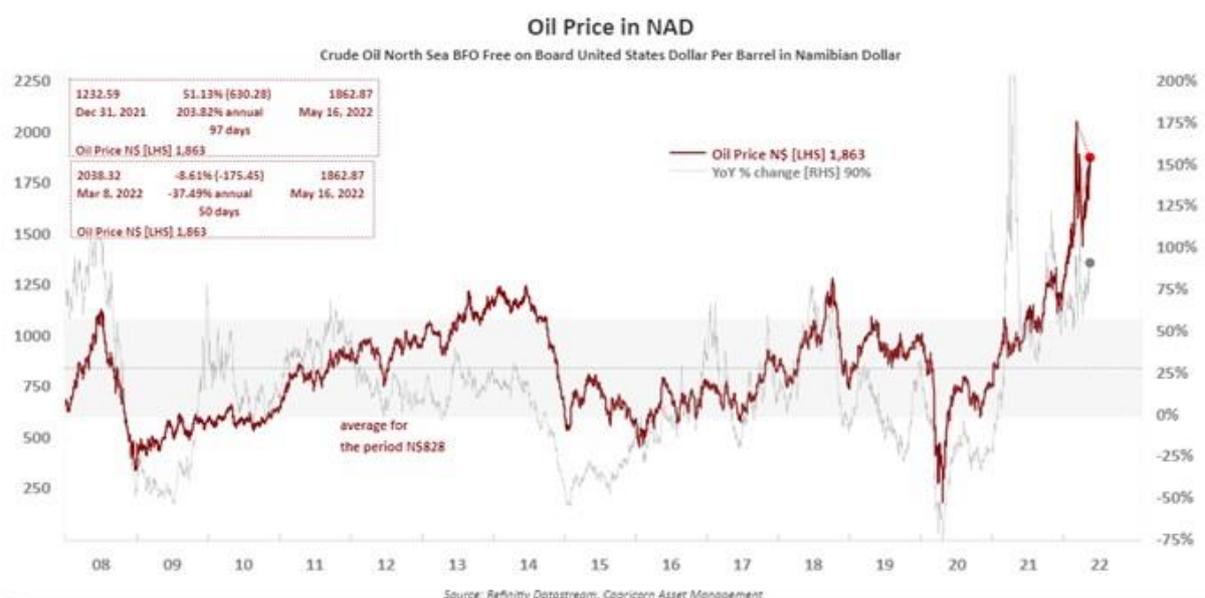
The gains on Tuesday in Asian markets follows a mostly weaker U.S. session on Monday. The S&P 500 declined 0.4 per cent, while larger losses were incurred on the Nasdaq Composite which dropped 1.2 per cent, to 11,664. The Dow Jones index was barely positive, up just 0.08%.

"Risk markets were weighed down by concerns over deteriorating global growth prospects," ANZ strategists said in a research note. "Hugely disappointing Chinese data for April and the plunge in the U.S. Empire State manufacturing index raised anxiety that economic activity may be suffering an abrupt loss in momentum as supply-chain disruption intensifies. The profile of the data suggests that supply issues related to the zero-COVID policy in China are the key factors." The New York Fed's Empire State manufacturing index published on Monday showed an abrupt fall during May and shipments fell at their fastest pace since the beginning of the pandemic.

In early Asian trade, the yield on benchmark 10-year Treasury notes rose to 2.8931% compared with its U.S. close of 2.879% on Monday. The two-year yield, which rises with traders' expectations of higher Fed fund rates, touched 2.578% compared with a U.S. close of 2.568%. "Markets currently price the Fed funds rate to be 53 basis points higher at the next meeting in June, and 200 basis points higher by year-end," said Imre Speizer, Westpac's head of New Zealand strategy.

The dollar rose 0.06% against the yen to 129.24. It is getting closer to its high this year of 131.34. The European single currency was up 0.1% on the day at \$1.0437, having lost 0.99% in a month. U.S. crude dipped 0.18% to \$113.99 a barrel. Brent crude was slightly higher at \$114.40 per barrel. Gold was slightly higher. Spot gold was traded at \$1,826.7072 per ounce.

Domestic Markets



The South African rand weakened on Monday amid subdued risk-taking as investors sought safety due to fears about global growth, while power cuts on the domestic front clouded the economic growth outlook.

At 1525 GMT, the rand traded at 16.2046 against the dollar, around 0.32% weaker than its previous close.

Investors have flocked to the safe-haven U.S. dollar on concerns about the U.S. Federal Reserve's ability to dampen inflation without causing a recession, along with worries about slowing growth arising from the Ukraine crisis and the economic effects of China's zero-COVID-19 policy.

"The rand is likely to remain vulnerable to weakness this quarter," Investec's chief economist, Annabel Bishop. For the rand, which is largely driven by international factors, the outcome of substantially weaker U.S. indicators on economic activity could, along with moderations in U.S. inflation, add some strength, although this could take a few months, she added.

At home, state power utility Eskom said on Monday it was implementing a Stage 4 power cut in the evening, a more serious cut than the previously indicated Stage 3, meaning a larger part of the country will experience rolling blackouts.

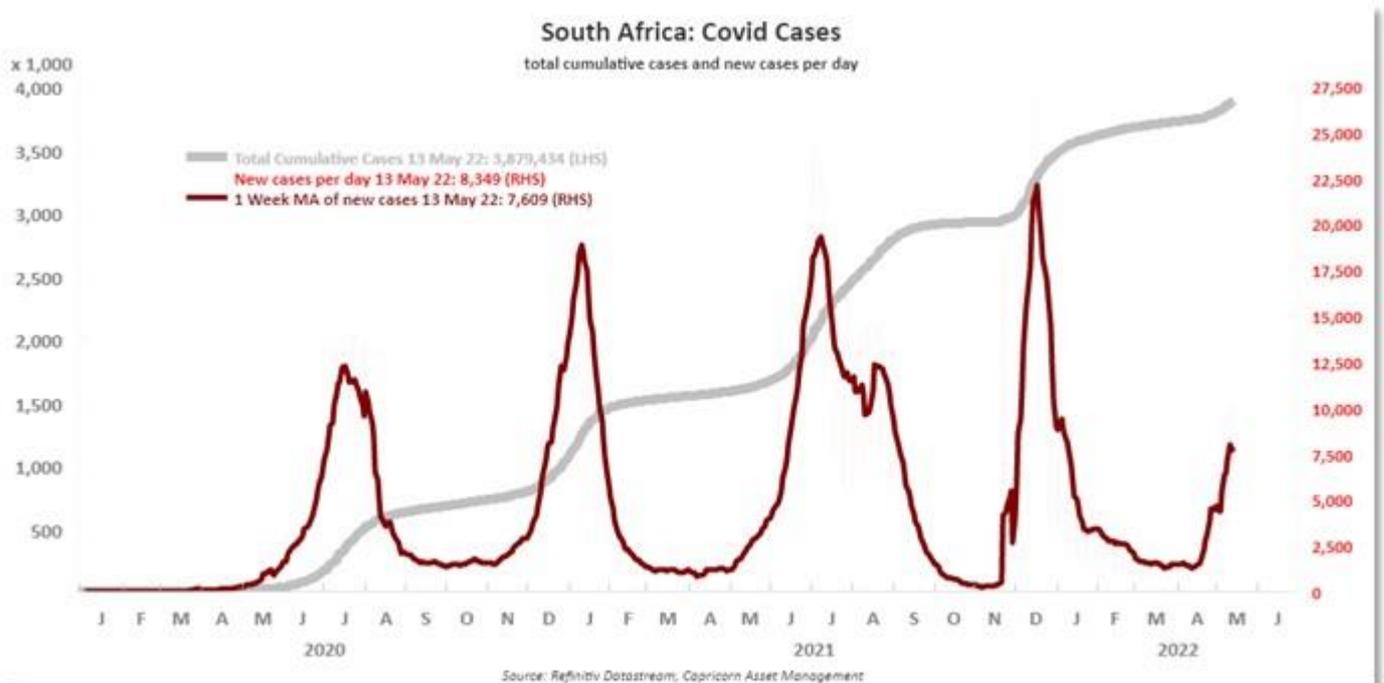
Market attention this week is also on a monetary policy decision by the South African Reserve Bank that will be announced on Thursday. A Reuters poll published on Friday forecast the bank would make its first 50 basis-point repo rate hike in more than six years, taking it to 4.75%, to prevent potential second-round effects from higher consumer prices.

Shares on the Johannesburg Stock Exchange (JSE) strengthened on Monday on the back of stronger commodity prices, even as most global stock indexes fell including in the United States. The FTSE/JSE all-share index ended up 0.82% at 69,212 and the blue-chip index of top-40 companies closed up 0.81% at 62,496 points.

In fixed income, the yield on the benchmark 2030 government bond was down 1.5 basis points at 10.00%.

Corona Tracker

Name	Cases - cumulative total	Cases - newly reported in last 7 days	Deaths - cumulative total	Deaths - newly reported in last 7 days
Global	519,105,112	3,561,748	6,266,324	9,463



Source: Thomson Reuters Refinitiv

All the great things are simple, and many can be expressed in a single word: freedom, justice, honor, duty, mercy, hope.

Winston Churchill

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				17 May 2022	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↑	4.91	0.041	4.87	4.91
6 months	↑	5.53	0.008	5.52	5.53
9 months	⇒	6.38	0.000	6.38	6.38
12 months	↑	6.81	0.016	6.79	6.81
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	↑	7.31	0.140	7.17	7.31
GC24 (Coupon 10.50%, BMK R186)	↑	7.87	0.025	7.85	7.84
GC25 (Coupon 8.50%, BMK R186)	↑	8.32	0.025	8.30	8.29
GC26 (Coupon 8.50%, BMK R186)	↑	9.03	0.025	9.01	9.00
GC27 (Coupon 8.00%, BMK R186)	↑	9.35	0.025	9.33	9.32
GC30 (Coupon 8.00%, BMK R2030)	↑	11.29	0.005	11.29	11.27
GC32 (Coupon 9.00%, BMK R213)	↓	12.47	-0.005	12.48	12.45
GC35 (Coupon 9.50%, BMK R209)	↑	13.06	0.005	13.06	13.04
GC37 (Coupon 9.50%, BMK R2037)	↓	14.04	-0.005	14.05	14.02
GC40 (Coupon 9.80%, BMK R214)	↑	13.96	0.015	13.94	13.92
GC43 (Coupon 10.00%, BMK R2044)	⇒	14.25	0.000	14.25	14.22
GC45 (Coupon 9.85%, BMK R2044)	⇒	14.26	0.000	14.26	14.23
GC48 (Coupon 10.00%, BMK R2048)	↑	14.67	0.010	14.66	14.65
GC50 (Coupon 10.25%, BMK: R2048)	↑	14.41	0.010	14.40	14.39
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	⇒	3.55	0.000	3.55	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)	⇒	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	0.000	7.70	7.70
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,824	0.70%	1,811	1,828
Platinum	↑	946	0.81%	939	942
Brent Crude	↑	114.2	2.41%	111.6	113.8
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,665	2.05%	1,631	1,665
JSE All Share	↑	69,212	0.82%	68,651	69,212
SP500	↓	4,008	-0.39%	4,024	4,008
FTSE 100	↑	7,465	0.63%	7,418	7,465
Hangseng	↑	19,950	0.26%	19,899	20,426
DAX	↓	13,964	-0.45%	14,028	13,964
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	15,933	1.26%	15,735	15,933
Resources	↑	71,854	1.53%	70,768	71,854
Industrials	↑	77,093	0.06%	77,046	77,093
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	16.20	0.27%	16.16	16.05
N\$/Pound	↑	19.95	0.73%	19.81	19.82
N\$/Euro	↑	16.90	0.46%	16.82	16.77
US dollar/ Euro	↑	1.043	0.19%	1.041	1.045
		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 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.



For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na

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