



Market Update

Wednesday, 18 May 2022



Global Markets

Asia's stock markets struggled to carry recent gains into a fourth straight session on Wednesday and the U.S. dollar steadied, as nagging doubts about inflation and the drag from rate rises crept back into the global growth outlook.

MSCI's broadest index of Asia-Pacific shares outside Japan gave up earlier gains to trade around flat by mid-morning. Japan's Nikkei rose 0.3% although miners did help Australian shares up about 0.7%. Overnight Wall Street indexes had jumped and the dollar recoiled from near two-decade highs as investors pushed worry about inflation and recession to the back of their minds. But analysts doubted it could last and by the time Asian traders had woken up U.S. stocks had run out of steam. S&P 500 futures were down 0.2% early in the Asia session and Nasdaq futures were down 0.4%.

"After plunging into last week, shares could have a further near-term bounce," said Shane Oliver, chief economist and head of investment strategy at Australia's AMP Capital. "But risks around

inflation, monetary tightening, the war in Ukraine and Chinese growth remain high and still point to more downside in share markets," he said.

The dollar also steadied after an overnight kicking, helped by Australian wages data missing forecasts, which pulled down the Aussie dollar. The greenback steadied on the euro at \$1.0536 and paused a strong bounce for sterling at \$1.2480. The dollar index hovered at 103.370. "It's still far too early to call a long term peak in the dollar and retracements should be shallow," said analysts at Westpac. "But some two-way consolidation between 102-104 is likely near-term," they added, referring to the dollar index.

Positive data had helped the short-term mood, with U.S. retail sales meeting forecasts for a solid increase in April and industrial production beating expectations. Data on Wednesday showed Japan's quarterly contraction in GDP was smaller than traders had feared. Shanghai is also edging toward an end to its lockdown and China's vice-premier made soothing comments to tech executives in the latest sign of a let-up in pressure.

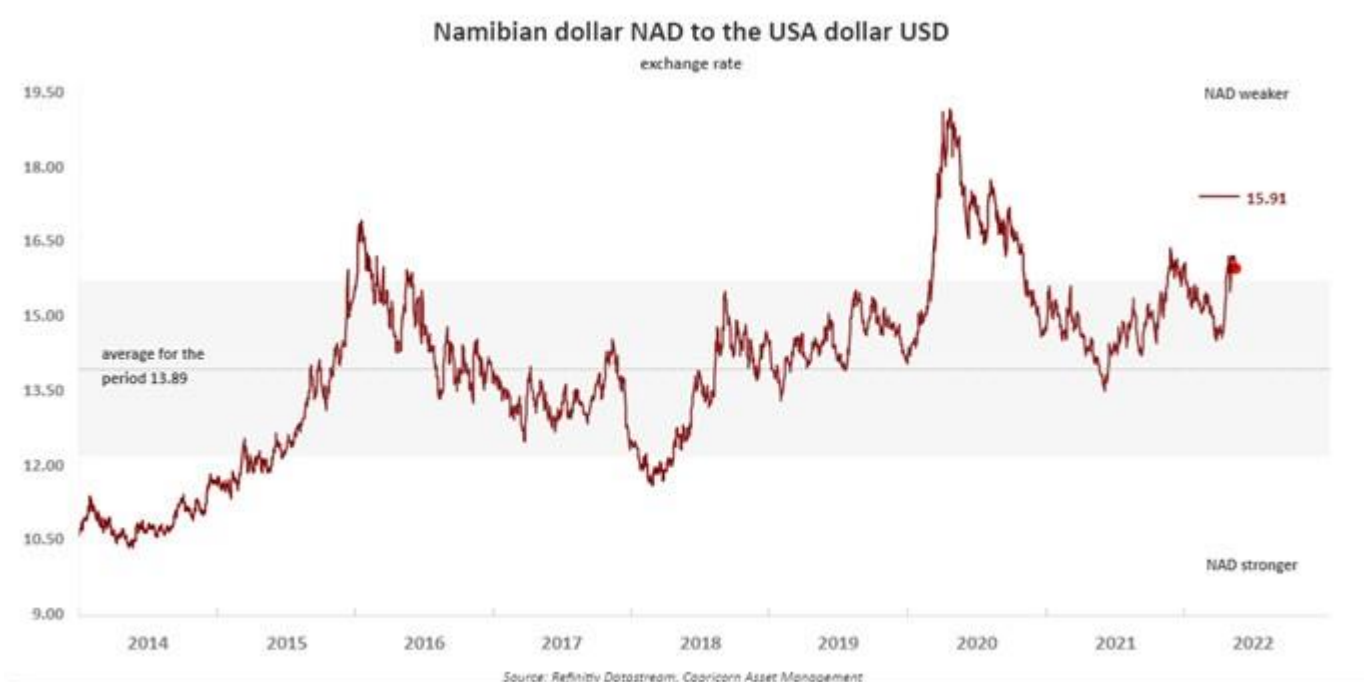
However, any good news was offset by the reminder from Federal Reserve Chair Jerome Powell that controlling inflation would demand rate rises and possibly some pain. Investors have priced in 50 basis point U.S. rate hikes in June and July and see the benchmark Fed funds rate nudging 3% by early next year. Treasuries of all tenors were sold overnight in anticipation of rising rates, but the gap in yield between short-dated and long-dated bonds is narrowing as markets price in the risk that the rate hikes this year will drag on longer-run growth.

Benchmark 10-year Treasuries were steady in Asia and the yield sat just below 3% at 2.9805. European yields are also rising as the likelihood of the European Central Bank hiking rates by 25 basis points around July is firming. Dutch central bank chief Klaas Knot said overnight a bigger rise shouldn't be ruled out.

Commodities have rallied with stocks this week as markets have found reasons to hold out on growth hopes, but oil dipped overnight and there were signs of waning momentum on Wednesday. Brent crude futures were up 0.3% at \$112.29 a barrel and U.S. crude futures rose 0.8% to \$113.35 a barrel.

S&P Global Ratings cut growth forecasts for China, the United States and the eurozone. "The global economy continues to face an unusually large number of negative shocks," said chief economist Paul F. Gruenwald. "Two developments have altered the macro picture," he said, being Russia's invasion of Ukraine which sent commodity prices spiking and inflation, which has turned out to be higher, broader and more persistent than first thought.

Domestic Markets



South Africa's rand firmed on Tuesday, as a pullback in the U.S. dollar offered support despite continued power cuts that cloud the domestic economic growth outlook.

At 1501 GMT, the rand traded at 15.9450 against the dollar, 1.28% firmer than its previous close.

The dollar fought for a footing after falling from near 20-year highs on Monday, as investors trimmed bets on whether U.S. interest rate hikes will drive further dollar gains and investor appetite for riskier assets increased. On Monday, the stronger dollar and a power crisis at home saw the rand hit its weakest level since November 2021.

"Severe US interest rate hikes... will have a marked negative effect on growth both in the U.S. and globally, and so on the rand, which is already at very undervalued levels," Investec economist Annabel Bishop said in a note. She added that the rand is at risk of weakening further in the rest of this quarter and the third quarter of 2022, due to a traditionally greater aversion to risk among investors in the northern hemisphere summer.

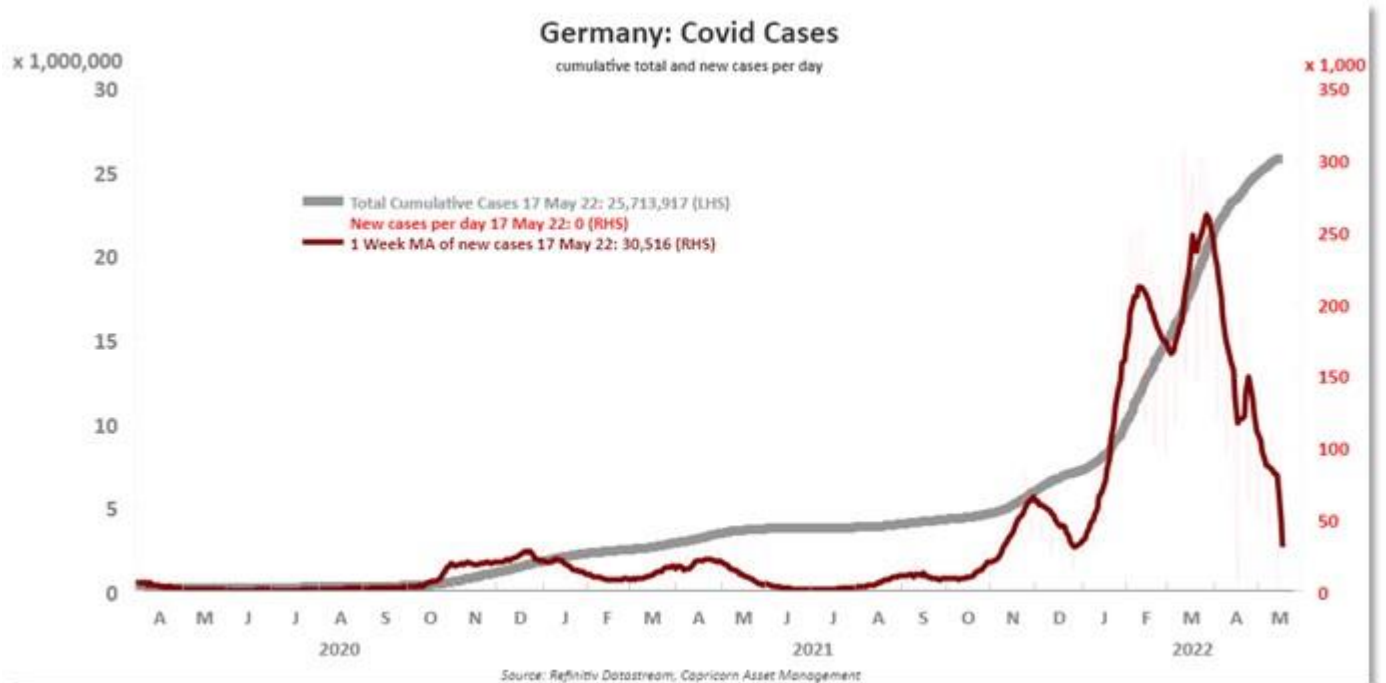
State power utility Eskom implemented deeper controlled outages due to more breakdowns at its generating units, meaning a larger part of the country experienced rolling blackouts. It said power cuts would continue on Tuesday evening.

On the Johannesburg Stock Exchange (JSE), the All-Share index ended up 0.7% at 69,696 and the blue-chip index of top-40 companies closed up 0.85% at 63,027 points. Although local economy linked stocks such as banks and financials slipped on the back of weak investor confidence, mining stocks jumped led by an increase in platinum and coal prices, giving the market a boost. Tech investor and biggest listed company on the JSE, Naspers, was up 6.7% and its subsidiary Prosus was up 5.8%.

Government bonds firmed alongside the currency, with the yield on the benchmark 2030 maturity down 3 basis points to 9.985%.

Corona Tracker

Name	Cases - cumulative total	Cases - newly reported in last 7 days	Deaths - cumulative total	Deaths - newly reported in last 7 days
Global	519,729,804	3,728,512	6,268,281	9,633



Source: Thomson Reuters Refinitiv

For God so loved the World that he gave his only Son,
that whoever believes in him should not perish but
have eternal life.

Jesus Christ

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)					18 May 2022	
Money Market TB Rates %			Last close	Difference	Prev close	Current Spot
3 months	↑		4.93	0.017	4.91	4.93
6 months	↑		5.54	0.017	5.53	5.54
9 months	↑		6.43	0.050	6.38	6.43
12 months	↑		6.85	0.042	6.81	6.85
Nominal Bond Yields %			Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	↑		7.33	0.025	7.31	7.33
GC24 (Coupon 10.50%, BMK R186)	↑		7.91	0.035	7.87	7.91
GC25 (Coupon 8.50%, BMK R186)	↑		8.36	0.035	8.32	8.36
GC26 (Coupon 8.50%, BMK R186)	↑		9.07	0.035	9.03	9.07
GC27 (Coupon 8.00%, BMK R186)	↑		9.39	0.035	9.35	9.39
GC30 (Coupon 8.00%, BMK R2030)	↔		11.29	0.000	11.29	11.29
GC32 (Coupon 9.00%, BMK R213)	↔		12.47	0.000	12.47	12.47
GC35 (Coupon 9.50%, BMK R209)	↑		13.10	0.040	13.06	13.10
GC37 (Coupon 9.50%, BMK R2037)	↑		14.08	0.040	14.04	14.08
GC40 (Coupon 9.80%, BMK R214)	↑		14.00	0.040	13.96	14.00
GC43 (Coupon 10.00%, BMK R2044)	↑		14.30	0.050	14.25	14.30
GC45 (Coupon 9.85%, BMK R2044)	↑		14.31	0.050	14.26	14.31
GC48 (Coupon 10.00%, BMK R2048)	↑		14.72	0.050	14.67	14.72
GC50 (Coupon 10.25%, BMK: R2048)	↑		14.46	0.050	14.41	14.46
Inflation-Linked Bond Yields %			Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	↑		4.00	0.450	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	↓		1,815	-0.50%	1,824	1,810
Platinum	↑		951	0.53%	946	953
Brent Crude	↓		111.9	-2.02%	114.2	112.9
Main Indices			Last close	Change	Prev close	Current Spot
NSX Overall Index	↑		1,684	1.19%	1,665	1,684
JSE All Share	↑		69,696	0.70%	69,212	69,696
SP500	↑		4,089	2.02%	4,008	4,089
FTSE 100	↑		7,518	0.72%	7,465	7,518
Hangseng	↑		20,603	3.27%	19,950	20,581
DAX	↑		14,186	1.59%	13,964	14,186
JSE Sectors			Last close	Change	Prev close	Current Spot
Financials	↓		15,897	-0.22%	15,933	15,897
Resources	↑		72,798	1.31%	71,854	72,798
Industrials	↑		77,796	0.91%	77,093	77,796
Forex			Last close	Change	Prev close	Current Spot
N\$/US dollar	↓		15.91	-1.81%	16.20	15.93
N\$/Pound	↓		19.87	-0.44%	19.95	19.89
N\$/Euro	↓		16.78	-0.72%	16.90	16.78
US dollar/ Euro	↑		1.055	1.11%	1.043	1.054
			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.



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