



Market Update

Friday, 18 November 2022



Global Markets

Asian shares were in a cautious mood on Friday after U.S. Federal Reserve officials fired more warning shots on interest rates, while rising coronavirus cases in China and liquidity strains in its bond market added to uncertainty.

Both the dollar and bond yields were shoved higher overnight when St. Louis Fed President James Bullard said interest rates might need to hit a range from 5% to 7% to be "sufficiently restrictive" to curb inflation.

That was a blow to investors who had been wagering rates would peak at 5% and saw Fed fund futures sell off as markets priced in more chance that rates would now top out at 5-5.25%, rather than 4.75-5.0%.

Two-year yields crept back up to 4.46%, retracing a little of last week's sharp inflation-driven drop of 33 basis points to a low of 4.29%. That left them 69 basis points above 10-year yields, the largest inversion since 1981.

"The message is about the desire from the Fed to lean against what they would consider premature loosening of financial conditions," said Brian Daingerfield, an analyst at NatWest Markets. "And on that front, message received."

"The Fed seems squarely focused on over-signalling on the tightening front and hoping the data slow to a point where they can have the flexibility to undershoot."

The bond market's warnings of a recession were not exactly what Wall Street wanted to hear and they left S&P 500 futures flat, while Nasdaq futures inched up 0.1%.

EUROSTOXX 50 futures added 0.7% and FTSE futures 0.3%.

MSCI's broadest index of Asia-Pacific shares outside Japan bounced 0.5%, after slipping for two sessions.

Chinese blue chips were flat amid reports that Beijing had asked banks to check liquidity in the bond market after soaring yields caused losses for some investors.

There were also concerns that a surge in COVID-19 cases in China would challenge plans to ease strict movement curbs that have throttled the economy.

BOJ NOT FOR TURNING

Japan's Nikkei nudged up 0.1% as data showed inflation running at a 40-year high as a weak yen stoked import costs.

Still, the Bank of Japan argues that inflation is mostly driven by energy costs outside of its control and that the economy needs continued super-easy policies.

The situation was radically different in Britain, where finance minister Jeremy Hunt had just announced tax rises and spending cuts in an effort to reassure markets the government was serious about fighting inflation.

Dire predictions that the economy was already in recession saw sterling stand at \$1.1916, off the week's high of \$1.2026.

After bouncing overnight, the dollar itself ran into renewed selling and eased to 106.460 on a basket of currencies, back toward a three-month trough of 105.30 touched early in the week. The dollar also edged down 139.78 yen, but held above its recent low of 137.67.

The euro held at \$1.0376, having eased from a four-month peak of \$1.0481 hit on Tuesday as some policymakers argued for caution on tightening.

ECB President Christine Lagarde will give a keynote speech later on Friday that may offer guidance on which way the majority at the bank may lean.

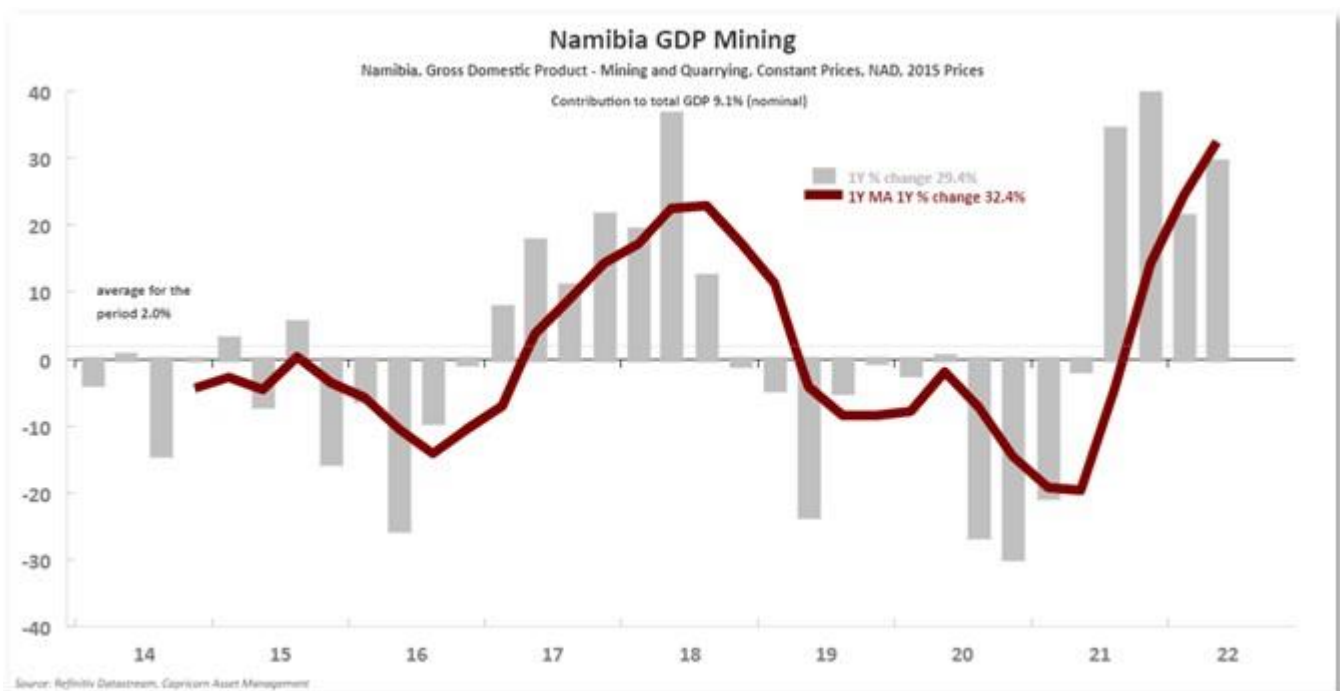
In commodity markets, the bounce in the dollar and yields left gold at \$1,762 an ounce and off a top of \$1,786 struck early in the week.

Oil futures regained some ground on Friday, but still nursed steep losses for the week on worries about Chinese demand and ever higher U.S. interest rates.

Brent added 79 cents to \$90.57, to be down 5.5% on the week, while U.S. crude rose 92 cents to \$82.56 per barrel.

Source: Reuters Refinitiv

Domestic Markets



The South African rand slipped against a stronger dollar on Thursday, as investors bet on a relatively hawkish Federal Reserve and worries about rising COVID-19 cases in China persisted.

At 1604 GMT, the rand traded at 17.4350 against the dollar, 0.98% weaker than its previous close.

The dollar climbed on Thursday after U.S. retail sales data for October, released on Wednesday, came in stronger than expected and dented hopes of tamer interest rate hikes by the Federal Reserve.

The South African currency has mainly taken its cue from global drivers recently, rallying strongly last week after a lower-than-expected U.S. inflation reading.

On the stock market, the Top-40 index closed 0.59% lower while the broader all-share fell 0.62% in afternoon deals.

The government's benchmark 2030 bond was almost unchanged, with the yield down 1 basis point at 10.430%.

On Friday, investor attention will shift to scheduled reviews of South Africa's sovereign credit ratings by S&P Global and Moody's.

Source: Reuters Refinitiv

Someone is sitting in the shade today because
someone planted a tree a long time ago.

Warren Buffett

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)		18 November 2022			
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↑	7.45	0.025	7.43	7.45
6 months	↑	7.56	0.008	7.55	7.56
9 months	↑	8.12	0.017	8.11	8.12
12 months	↑	8.35	0.008	8.34	8.35
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	↑	9.01	0.020	8.99	9.03
GC24 (Coupon 10.50%, BMK R186)	↑	8.31	0.070	8.24	8.28
GC25 (Coupon 8.50%, BMK R186)	↑	8.76	0.070	8.69	8.73
GC26 (Coupon 8.50%, BMK R186)	↑	8.82	0.070	8.75	8.79
GC27 (Coupon 8.00%, BMK R186)	↑	9.79	0.070	9.72	9.76
GC30 (Coupon 8.00%, BMK R2030)	↑	11.74	0.100	11.64	11.71
GC32 (Coupon 9.00%, BMK R213)	↑	11.92	0.115	11.80	11.89
GC35 (Coupon 9.50%, BMK R209)	↑	12.54	0.060	12.48	12.51
GC37 (Coupon 9.50%, BMK R2037)	↑	13.15	0.065	13.08	13.12
GC40 (Coupon 9.80%, BMK R214)	↑	13.46	0.055	13.40	13.43
GC43 (Coupon 10.00%, BMK R2044)	↑	14.00	0.045	13.95	13.97
GC45 (Coupon 9.85%, BMK R2044)	↑	14.52	0.045	14.47	14.49
GC48 (Coupon 10.00%, BMK R2048)	↑	14.66	0.050	14.61	14.63
GC50 (Coupon 10.25%, BMK: R2048)	↑	14.67	0.050	14.62	14.64
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	↓	2.80	-0.080	2.88	2.80
GI27 (Coupon 4.00%, BMK NCPI)	↓	3.65	-0.285	3.94	3.65
GI29 (Coupon 4.50%, BMK NCPI)	↑	5.20	0.015	5.19	5.20
GI33 (Coupon 4.50%, BMK NCPI)	↔	5.93	0.000	5.93	5.93
GI36 (Coupon 4.80%, BMK NCPI)	↔	6.90	0.000	6.90	6.90
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,761	-0.73%	1,774	1,762
Platinum	↓	981	-2.48%	1,006	983
Brent Crude	↓	89.8	-3.32%	92.9	90.4
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,650	-0.76%	1,663	1,650
JSE All Share	↓	72,155	-0.62%	72,607	72,155
SP500	↓	3,947	-0.31%	3,959	3,947
FTSE 100	↓	7,347	-0.06%	7,351	7,347
Hangseng	↓	18,046	-1.15%	18,256	18,127
DAX	↑	14,266	0.23%	14,234	14,266
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	15,770	-0.22%	15,805	15,770
Resources	↓	69,860	-1.20%	70,706	69,860
Industrials	↓	87,655	-0.45%	88,054	87,655
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	17.37	0.67%	17.25	17.36
N\$/Pound	↑	20.60	0.28%	20.54	20.64
N\$/Euro	↑	17.99	0.36%	17.93	17.99
US dollar/ Euro	↓	1.036	-0.31%	1.039	1.037
		Namibia		RSA	
Interest Rates & Inflation		Oct 22	Sep 22	Oct 22	Sep 22
Central Bank Rate	↑	6.25	5.50	6.25	6.25
Prime Rate	↑	10.00	9.25	9.75	9.75
		Oct 22	Sep 22	Sep 22	Aug 22
Inflation	↔	7.1	7.1	7.5	7.6

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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