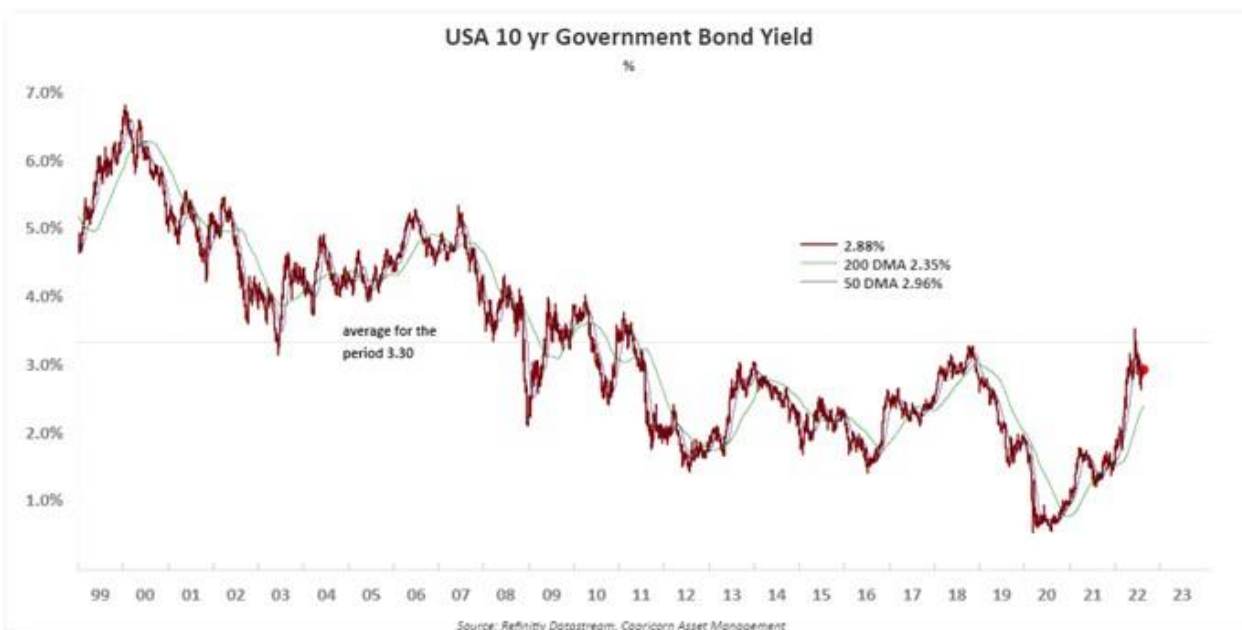




## Market Update

Friday, 19 August 2022



## Global Markets

Asian shares were left in limbo on Friday while the U.S. dollar made all the running as recession clouds gathered over Europe and highlighted the relative outperformance of the U.S. economy.

Added concerns about the health of China's economy saw MSCI's broadest index of Asia-Pacific shares outside Japan ease 0.3%, to be down 1.1% on the week.

Chinese blue chips were flat, while South Korea lost 0.5%. Japan's Nikkei fared better with a 0.3% gain due in part to a renewed slide in the yen.

S&P 500 futures eased 0.1% and were little changed on the week having repeatedly failed to clear the 200-day moving average, while Nasdaq futures slipped 0.2%.

EUROSTOXX 50 futures dipped 0.1%, while FTSE futures edged up 0.2%.

The threat of higher borrowing costs hung over markets as no less than four U.S. Federal Reserve officials signalled there was more work to do on interest rates, with the only difference being on how fast and high to go.

Markets are leaning toward a half-point hike in September and a one-in-three chance of 75 basis points (bp). Rates are seen peaking at least 3.5%, though some Fed members are arguing for 4% or more.

"There are no signs that the labour market or inflation data are slowing sufficiently for the Fed to declare victory on inflation," said Brian Martin, head of G3 economics at ANZ.

"We see upside risks to the Fed's inflation projections, and we expect these and the dot plot to be revised up in September," he added. "We have revised up our year-end fed funds rate forecast by 25bp to 4.0% and now expect three 50bp hikes over the remainder of 2022."

All of which underlines the importance of Fed Chair Jerome Powell's Aug. 26 speech at Jackson Hole, usually a seminal event on the central bank calendar.

The bond market is clearly on the hawkish side with two-year yields 34 basis points below the 10-year yield and flashing recession warnings.

#### DOLLAR IN DEMAND

The "R" alarm is also ringing across Europe where natural gas prices hit record highs on Thursday adding to an inflation pulse that is sure to drive more painful policy tightening, exacerbating the risk of recession.

With European Union core inflation three percentage points above the European Central Bank's 2% target, markets are wagering on another half-point rate hike in September.

The gloomy economic outlook has seen the euro drop almost 1.7% so far this week to \$1.0078 and back toward its July nadir at \$0.9950.

The dollar has also gained 2.0% on the yen this week to reach 136.28, the highest since late July. Against a basket of currencies, it was up 1.8% for the week 107.60.

Sterling was another casualty, losing 1.8% for the week to \$1.1917. Investors fear inflation in Britain at a stratospheric 10.1% will lead the Bank of England (BoE) to keep hiking and actually force a recession.

The cost-of-living crisis saw British consumer sentiment plunge to its lowest on record in August showed a monthly survey from data provider Gfk.

"Strength in the wage and price data has raised the bar for inaction and we now think the BoE will need to see clearer signs of a hard landing in order to pause," said analysts at JPMorgan who raised their rate forecasts by 75 basis points to 3%.

"We look for a two-quarter recession starting in 4Q that results in a cumulative 0.8% drop in GDP."

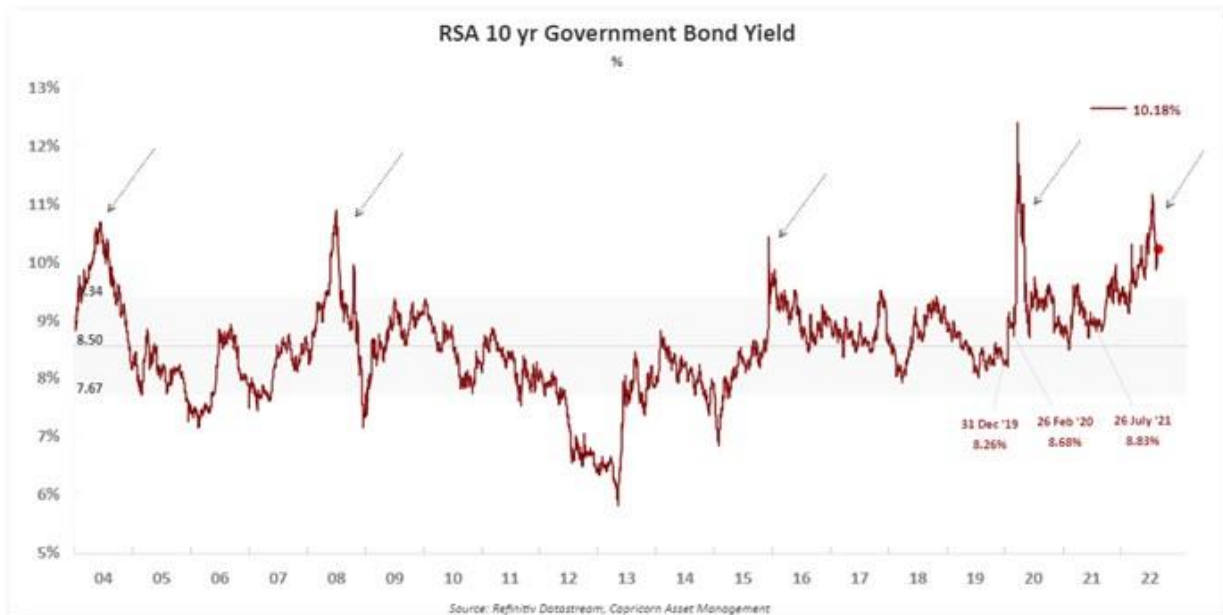
The rise in the dollar has been a headwind for gold which has shed 2.4% on the week so far to \$1,758 an ounce.

Oil prices were a little steadier on Friday, but still down on the week with Brent having touched its lowest since February at one point on concerns about demand.

Brent was up a slim 2 cents at \$96.61, while U.S. crude rose 5 cents to \$90.55 per barrel.

**Source: Thomson Reuters Refinitiv**

## Domestic Markets



The South African rand fell on Thursday, extending the previous day's losses, as the dollar bounced on investor uncertainty surrounding the pace of interest rate hikes by the U.S. Federal Reserve to tame inflation.

Federal Reserve minutes on Wednesday pointed to U.S. interest rates staying higher for longer, boosting the dollar and hurting emerging market currencies like the rand.

At 1536 GMT, the rand traded at 16.8050 against the dollar, down 1.13% from its previous close.

With no major domestic economic data released on Thursday, the South African currency took its cue from global drivers as expected.

The dollar index, which measures the currency against six rivals, earlier hit a three-week high following the Fed minutes and was last up at 107.07.

"A weakening U.S. economic environment places downwards pressure on global economic growth, and so on SA (South Africa) economic activity," Investec analyst Annabel Bishop said in a research note, adding that local June retail sales were also a factor in the rand's weakness.

June retail sales published on Wednesday registered a surprise fall, adding to evidence the economy performed poorly in the second quarter.

Next week the data calendar is busier with July consumer and producer inflation, second-quarter unemployment and a leading business cycle indicator.

Shares on the Johannesburg Stock Exchange (JSE) ended marginally up in the absence of major catalysts, with the All-Share index ending up 0.06% and the Top-40 index closing 0.03% higher. The South African government's benchmark 2030 bond fell marginally, with the yield up 1.5 basis points to 10.185.

Source: Thomson Reuters Refinitiv

## Corona Tracker

Name	Cases - cumulative total	⇅	Cases - newly reported in last 7 days	Deaths - cumulative total	Deaths - newly reported in last 7 days
Global	590,659,276		5,238,816	6,440,163	14,550

Source: Thomson Reuters Refinitiv

Free speech carries with it some freedom to listen.

Warren E. Burger

## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				19 August 2022	
<b>Money Market TB Rates %</b>		Last close	Difference	Prev close	Current Spot
3 months	⇒	6.54	0.000	6.54	6.54
6 months	↑	6.73	0.017	6.71	6.73
9 months	↑	7.42	0.034	7.39	7.42
12 months	↑	7.75	0.025	7.73	7.75
<b>Nominal Bond Yields %</b>		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	↑	8.57	0.040	8.53	8.57
GC24 (Coupon 10.50%, BMK R186)	↑	8.29	0.020	8.27	8.29
GC25 (Coupon 8.50%, BMK R186)	↑	8.74	0.020	8.72	8.74
GC26 (Coupon 8.50%, BMK R186)	↑	8.80	0.020	8.78	8.80
GC27 (Coupon 8.00%, BMK R186)	↑	9.77	0.020	9.75	9.77
GC30 (Coupon 8.00%, BMK R2030)	↑	11.48	0.015	11.46	11.48
GC32 (Coupon 9.00%, BMK R213)	↑	11.60	0.020	11.58	11.61
GC35 (Coupon 9.50%, BMK R209)	↑	12.17	0.020	12.15	12.17
GC37 (Coupon 9.50%, BMK R2037)	↑	12.79	0.020	12.77	12.79
GC40 (Coupon 9.80%, BMK R214)	↑	13.17	0.020	13.15	13.18
GC43 (Coupon 10.00%, BMK R2044)	↑	13.68	0.015	13.66	13.69
GC45 (Coupon 9.85%, BMK R2044)	↑	14.20	0.015	14.18	14.21
GC48 (Coupon 10.00%, BMK R2048)	↑	14.37	0.020	14.35	14.38
GC50 (Coupon 10.25%, BMK: R2048)	↑	14.38	0.020	14.36	14.39
<b>Inflation-Linked Bond Yields %</b>		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	⇒	0.20	0.000	0.20	0.00
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)	↓	4.78	-0.170	4.95	4.78
GI33 (Coupon 4.50%, BMK NCPI)	⇒	6.50	0.000	6.50	6.50
GI36 (Coupon 4.80%, BMK NCPI)	⇒	7.25	0.000	7.25	7.25
<b>Commodities</b>		Last close	Change	Prev close	Current Spot
Gold	↓	1,758	-0.16%	1,761	1,753
Platinum	↓	911	-1.35%	924	907
Brent Crude	↑	96.6	3.14%	93.7	96.2
<b>Main Indices</b>		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,605	0.95%	1,590	1,605
JSE All Share	↑	71,011	0.06%	70,967	71,011
SP500	↑	4,284	0.23%	4,274	4,284
FTSE 100	↑	7,542	0.35%	7,516	7,542
Hangseng	↓	19,764	-0.80%	19,922	19,836
DAX	↑	13,697	0.52%	13,627	13,697
<b>JSE Sectors</b>		Last close	Change	Prev close	Current Spot
Financials	↑	16,200	0.25%	16,160	16,200
Resources	↑	63,890	1.05%	63,227	63,890
Industrials	↓	86,864	-0.65%	87,430	86,864
<b>Forex</b>		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	16.84	1.32%	16.62	16.89
N\$/Pound	↑	20.09	0.34%	20.03	20.11
N\$/Euro	↑	16.99	0.41%	16.92	17.02
US dollar/ Euro	↓	1.009	-0.90%	1.018	1.007
		Namibia		RSA	
<b>Interest Rates &amp; Inflation</b>		Jul 22	Jun 22	Jul 22	Jun 22
Central Bank Rate	↑	4.75	4.25	5.50	4.75
Prime Rate	↑	8.50	8.00	9.00	8.25
		Jul 22	Jun 22	Jun 22	May 22
Inflation	↑	6.8	6.0	7.4	6.5

**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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