



## Market Update

Thursday, 19 January 2023



## Global Markets

Asian stock markets struggled to make headway on Thursday after weak U.S. consumer data stoked recession worries and nudged investors toward safe assets such as bonds, while Japan's yen rose as markets doubted the Bank of Japan's policy commitments.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.2% and benchmark 10-year U.S. Treasury yields, which fall when prices rise, hit their lowest since September at 3.326%.

Oil futures fell 1.3%. European futures and FTSE futures each fell 0.5%.

Japan's Nikkei dropped 1.4% and the yen rose about 0.7% to 127.95 per dollar, unwinding sharp moves that followed the Bank of Japan (BOJ) leaving monetary policy settings unchanged a day earlier.

The BOJ has pursued ultra-easy policy settings for decades in an attempt to generate inflation and growth, but markets doubt it can keep that up, and traders have been selling Japanese government bonds and buying yen to bet on a shift.

The Nikkei dip and the bounce for the yen suggest at least some investors are undeterred.

"There's an intense amount of speculation in the market that now that the January (BOJ) meeting has happened without any changes ... that we'll see something in March," said Shafali Sachdev, head of FX, fixed income and commodities in Asia at BNP Paribas Wealth Management in Singapore.

April was another possibility, she added, since by then the BOJ would have a new governor. "My guess would be that more speculators would look to build positions going into these meetings."

Speculators did, however, give some respite to the BOJ in the bond market. After four days of huge BOJ spending to reel 10-year yields back inside the target band of 0.5% either side of zero, the yield held at 0.41% on Thursday.

## **RECESSION RISK**

On Wednesday, the S&P 500 lost 1.6% after data showed U.S. manufacturing output had slumped last month and retail sales had fallen by the most in a year.

S&P 500 futures dropped 0.2% in Asia and were close to breaking below the 50-day moving average.

"The decline in retail spending and industrial production adds to the theme of the economy slowing and heading into recession in 2023, and pushes back on the soft landing narrative dominating markets since January," said National Australia Bank's head of market economics, Tapas Strickland.

Microsoft's announcement of 10,000 layoffs and hawkish comments from Cleveland Fed President Loretta Mester and St. Louis Fed President James Bullard added to the gloom, with both Fed officials expecting U.S. interest rates above 5% this year.

The dollar wound back London-trade losses in the New York session and made gains in Asia. The Australian dollar was last down 0.6% at \$0.6896, losing ground after data showed an unexpected fall in Australian employment last month.

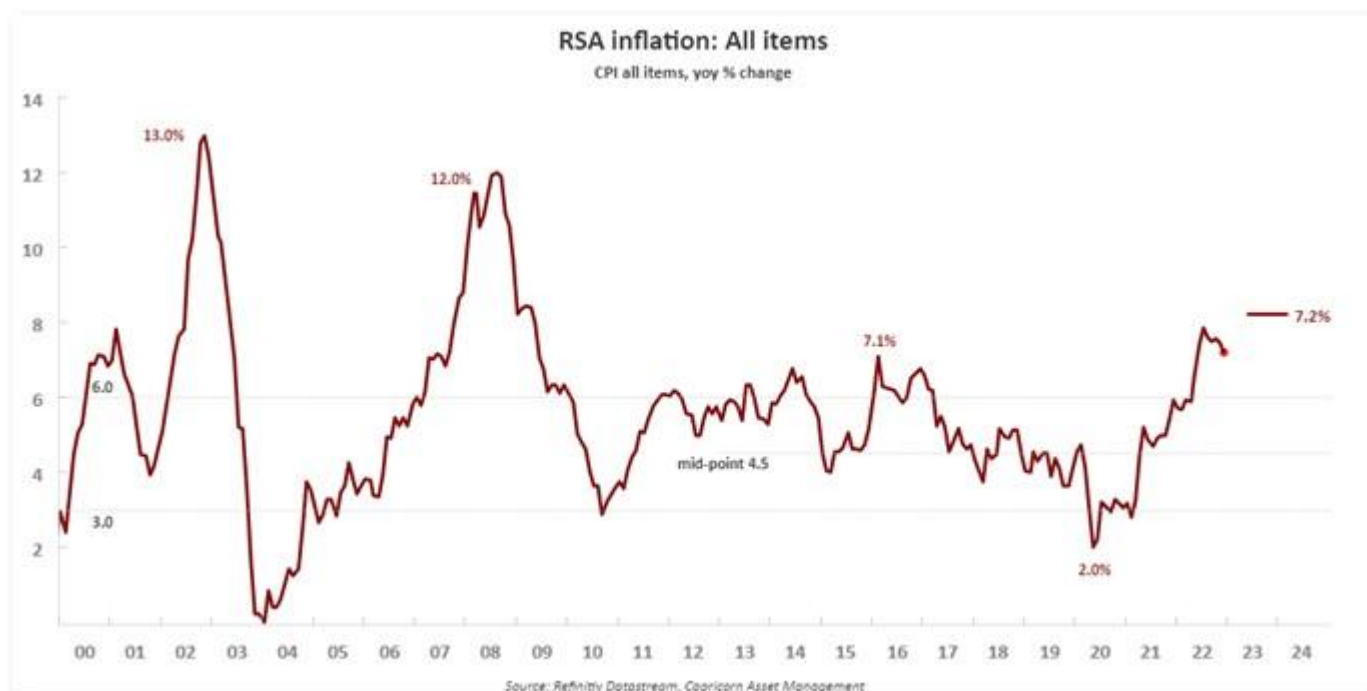
The euro was under gentle pressure at \$1.1078 and the New Zealand dollar took news of Prime Minister Jacinda Ardern's surprise resignation in its stride, but was pressured by broader dollar buying to last sit 0.5% lower.

Minutes from last month's European Central Bank meeting are due later on Thursday, as is an appearance from ECB President Christine Lagarde at the World Economic Forum in Davos.

Fed officials Lael Brainard and John Williams are also due to make public appearances.

**Source: Reuters Refinitiv**

## Domestic Markets



The South African rand weakened on Wednesday after domestic inflation figures came in line with expectations, sparking hopes of smaller rate hikes.

At 1733 GMT, the rand traded at 17.1350 against the U.S. dollar, 0.47% weaker than its previous close.

The country's headline consumer inflation slowed to 7.2% year-on-year in December from 7.4% in November, in line with analysts' forecasts, Statistics South Africa said on Wednesday.

"This will likely be insufficient to see the South African Reserve Bank (SARB) halt its rate hike cycle, but a 50 basis points (bp), instead of a 75 bp hike is likely in January," Investec analyst Annabel Bishop said, adding the United States has similarly slowed its pace of interest rate hikes.

The central bank, whose next rate-setting decision is due on Jan. 26, targets inflation of between 3% and 6%.

Meanwhile, data from Statistics South Africa showed retail sales rose 0.4% year-on-year in November after falling by a revised 0.7% in October.

Economists polled by Reuters had predicted a 0.2% year-on-year drop in November.

Investec analyst Lara Hodes said a favourable Black Friday event, a highlight of November's consumer calendar, boosted month-on-month activity.

On the stock market, the Top-40 and the broader all-share indexes rose around 0.6%.

Among gainers, debt-laden Steinhoff International ended 4% higher after raising 315.2 million euros (\$340.04 million) on Wednesday from selling 38 million shares or 6.6% of retail group Pepco via an accelerated book build.

The government's benchmark 2030 bond was stronger on Wednesday, with the yield down 20.5 basis points at 9.655%

**Source: Reuters Refinitiv**

The world breaks everyone, and afterward, some are strong at the broken places.

Ernest Hemingway



## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				19 January 2023	
<b>Money Market TB Rates %</b>		Last close	Difference	Prev close	Current Spot
3 months	⇒	8.12	0.000	8.12	8.12
6 months	⇒	8.05	0.000	8.05	8.05
9 months	⇒	8.50	0.000	8.50	8.50
12 months	⇒	8.66	0.000	8.66	8.66
<b>Nominal Bond Yields %</b>		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	↑	9.24	0.050	9.19	9.16
GC24 (Coupon 10.50%, BMK R186)	↓	7.63	-0.150	7.78	7.63
GC25 (Coupon 8.50%, BMK R186)	↓	8.08	-0.150	8.23	8.08
GC26 (Coupon 8.50%, BMK R186)	↓	8.14	-0.150	8.29	8.14
GC27 (Coupon 8.00%, BMK R186)	↓	9.11	-0.150	9.26	9.11
GC30 (Coupon 8.00%, BMK R2030)	↓	10.95	-0.205	11.15	10.97
GC32 (Coupon 9.00%, BMK R213)	↓	11.17	-0.210	11.38	11.20
GC35 (Coupon 9.50%, BMK R209)	↓	12.09	-0.160	12.25	12.13
GC37 (Coupon 9.50%, BMK R2037)	↓	12.71	-0.160	12.87	12.74
GC40 (Coupon 9.80%, BMK R214)	↓	13.11	-0.160	13.27	13.16
GC43 (Coupon 10.00%, BMK R2044)	↓	13.71	-0.140	13.85	13.74
GC45 (Coupon 9.85%, BMK R2044)	↓	14.23	-0.140	14.37	14.26
GC48 (Coupon 10.00%, BMK R2048)	↓	14.29	-0.140	14.43	14.33
GC50 (Coupon 10.25%, BMK: R2048)	↓	14.30	-0.140	14.44	14.34
<b>Inflation-Linked Bond Yields %</b>		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	⇒	3.08	0.000	3.08	3.08
GI27 (Coupon 4.00%, BMK NCPI)	⇒	3.76	0.000	3.76	3.76
GI29 (Coupon 4.50%, BMK NCPI)	⇒	5.19	0.000	5.19	5.19
GI33 (Coupon 4.50%, BMK NCPI)	⇒	6.40	0.000	6.40	6.40
GI36 (Coupon 4.80%, BMK NCPI)	⇒	6.63	0.000	6.63	6.63
<b>Commodities</b>		Last close	Change	Prev close	Current Spot
Gold	↓	1,904	-0.24%	1,908	1,910
Platinum	↓	1,038	-0.14%	1,039	1,044
Brent Crude	↓	85.0	-1.09%	85.9	84.3
<b>Main Indices</b>		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,786	1.28%	1,764	1,786
JSE All Share	↑	79,865	0.61%	79,385	79,865
SP500	↓	3,929	-1.56%	3,991	3,929
FTSE 100	↓	7,831	-0.26%	7,851	7,831
Hangseng	↑	21,678	0.47%	21,578	21,660
DAX	↓	15,182	-0.03%	15,187	15,182
<b>JSE Sectors</b>		Last close	Change	Prev close	Current Spot
Financials	↑	16,059	0.53%	15,975	16,059
Resources	↑	79,486	1.48%	78,328	79,486
Industrials	↑	100,801	0.17%	100,628	100,801
<b>Forex</b>		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	16.89	-0.89%	17.04	17.11
N\$/Pound	↓	20.85	-0.42%	20.94	21.11
N\$/Euro	↓	18.23	-0.85%	18.38	18.48
US dollar/ Euro	↑	1.079	0.04%	1.079	1.080
<b>Interest Rates &amp; Inflation</b>		Namibia		RSA	
		Dec 22	Nov 22	Dec 22	Nov 22
Central Bank Rate	⇒	6.75	6.75	7.00	7.00
Prime Rate	⇒	10.50	10.50	10.50	10.50
		Dec 22	Nov 22	Dec 22	Nov 22
Inflation	↓	6.9	7.0	7.2	7.4

**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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