



Market Update

Thursday, 19 May 2022



Global Markets

Asian stocks tracked a steep Wall Street selloff on Thursday, as investors fretted over rising global inflation, China's zero-COVID policy and the Ukraine war, while the safe-haven dollar held most of its strong overnight gains.

MSCI's broadest index of Asia-Pacific shares outside Japan snapped its four-day streak of gains and slumped 2.3%, dragged down by a 1.6% loss for Australia's resource-heavy index, a 3.3% drop in Hong Kong stocks and a 1% retreat for blue chips in mainland China. Japan's Nikkei also skidded, shedding 2.5%.

Tech giants listed in Hong Kong were hit hard, with the index plummeting 5% on Thursday morning. Tencent shares, in particular, fell more than 7% after it reported flat revenue growth in the first quarter, its worst performance since going public in 2004. China's technology sector is still reeling from a year-long government crackdown and slowing economic prospects stemming from

Beijing's strict zero-COVID policy, even though soothing comments from Vice Premier Liu He to tech executives had buoyed sentiment on Wednesday.

U.S. and European futures fell on Thursday morning. Overnight on Wall Street, earnings reports from retail giants added to concerns that high inflation would slow global growth, with Target Corp warning of a bigger margin hit due to rising fuel and freight costs as it reported its quarterly profit had halved. One day earlier, Walmart Inc warned of similar margin squeezes. Target's shares plunged 24.88%, the biggest one-day percentage drop since 1987. On Wednesday, the Nasdaq fell almost 5% while the S&P 500 lost 4%.

"The bounce on Tuesday was proven to have been 'too optimistic', thus the self-doubt stemming from the misjudgement only makes traders click the sell button even harder," said Hebe Chen, market analyst at IG. "It must be said that the concern for inflation has never gone away since we stepped into 2022, however, while things haven't reached the point of no return, they are seemingly heading in the direction of 'out of control'. That is probably the most worrying part for the market.

The U.S. dollar, which had rallied on falling risk appetite, paused its gains on Thursday, with the greenback easing 0.05% against a basket of major currencies. The Japanese yen, on the other hand, fell 0.3% against the dollar.

Data showed on Wednesday that British inflation surged to its highest annual rate since 1982 as energy bills soared, while Canadian inflation rose to 6.8% last month, largely driven by rising food and shelter prices. Poor U.S. housing data also added to slowdown concerns, and Fed Chair Jerome Powell had ratcheted up the hawkish rhetoric the previous day by saying the U.S. monetary authority would push interest rates as high as needed to stem a surge in inflation that he said threatened the foundation of the economy.

Bilal Hafeez, CEO of London-based research firm MacroHive, said there was a strong bias toward safe-haven assets right now, particularly cash. "There may be short-term bounces in equities like the last few days, but the big picture is that the era of low yields is over, and we are transitioning to a higher rates environment," Hafeez told the Reuters Global Markets Forum. "This will pressure all the markets that benefited from low yields - especially equities."

U.S. Treasuries rallied overnight and were largely steady in Asia, leaving the yield on benchmark 10-year Treasury notes at 2.9076%. The two-year yield, which rises with traders' expectations of higher Fed fund rates, touched 2.6756% compared with a U.S. close of 2.667%.

Oil prices climbed on Thursday, recovering from early losses, as lingering fears over tight global supplies outweighed fears over slower economic growth. Brent crude rose 1% to \$110.42 per barrel, while U.S. crude was up 0.6% to \$110.2 a barrel. Gold was slightly higher, with spot gold trading at \$1816.29 per ounce.

Domestic Markets



The South African rand weakened against the dollar on Wednesday, after inflation held steady at the top of the central bank's target range and retail sales numbers disappointed, a day before the central bank announces its interest-rate decision.

At 1524 GMT, the rand traded at 15.9930 against the dollar, 0.56% weaker than its previous close.

In April, consumer price inflation remained at a five-year high of 5.9%, in line with a Reuters poll and just within the central bank's 3%-6% target range, according to data published by Statistics South Africa earlier on Wednesday.

Retail sales rose 1.3% year-on-year in March, slightly below expectations of 1.5% and a 0.3% fall from February, according to data also published on Wednesday by the statistics agency. "March's modest reading evinces the financial pressure many households are still facing in the current economic environment," Investec economist Lara Hodes said in a note.

"An expected higher interest rate and cost environment is clearly suppressing sentiment."

A stronger dollar also weighed on riskier assets worldwide, including the rand.

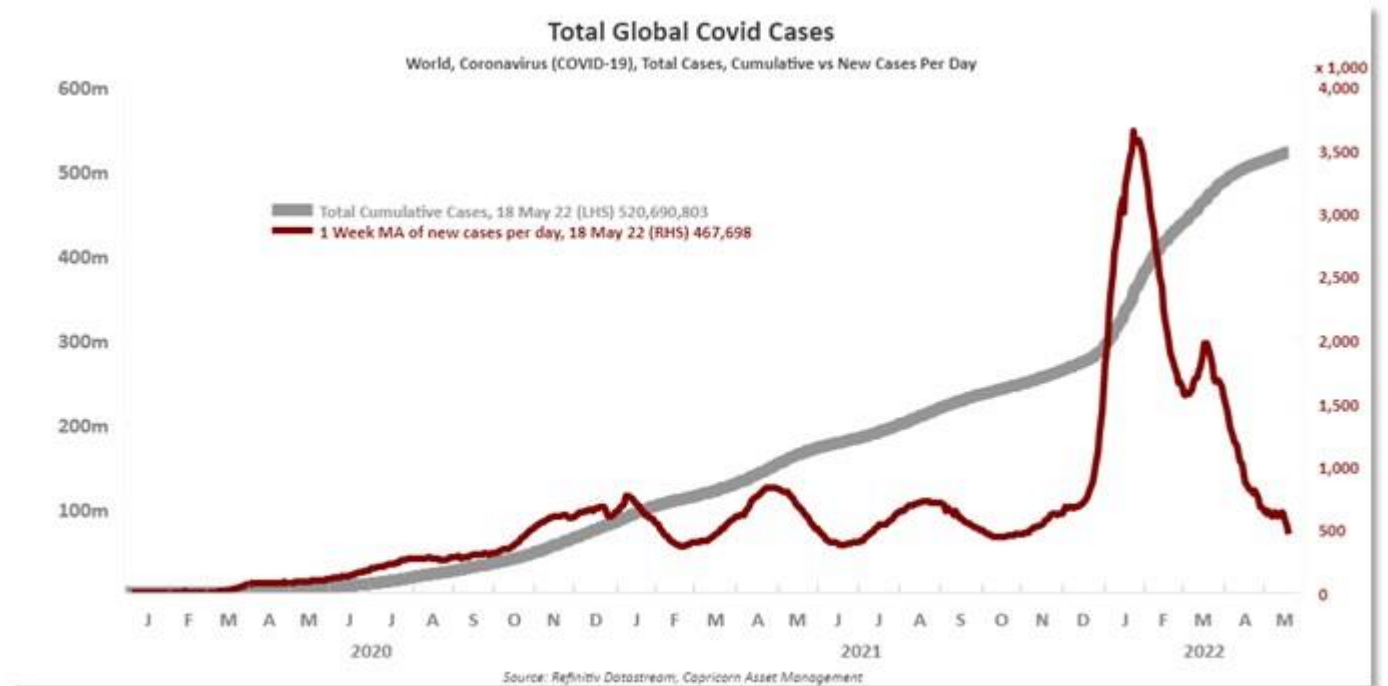
On the Johannesburg Stock Exchange (JSE), the All-Share index ended down 0.88% at 69,083 and the blue-chip index of top-40 companies closed down 0.84% at 62,494 points, driven by a fall in resources companies. Tech stocks on JSE also closed lower, including index heavyweight Naspers Ltd, which closed down almost 5%, while its subsidiary Prosus ended down over 3%.

Investors now await the South African Reserve Bank's monetary policy decision, due 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.

In fixed income, the yield on the benchmark 2030 government bond dipped two basis points to 9.980%.

Corona Tracker

Name	Cases - cumulative total	Cases - newly reported in last 7 days	Deaths - cumulative total	Deaths - newly reported in last 7 days
Global	520,372,492	3,745,723	6,270,232	9,939



Source: Thomson Reuters Refinitiv

We must learn to live together as brothers or perish together as fools.

Martin Luther King, Jr.

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				19 May 2022	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	⇒	4.93	0.000	4.93	4.93
6 months	↑	5.55	0.008	5.54	5.55
9 months	⇒	6.43	0.000	6.43	6.43
12 months	⇒	6.85	0.000	6.85	6.85
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	↑	7.34	0.010	7.33	7.34
GC24 (Coupon 10.50%, BMK R186)	↓	7.87	-0.035	7.91	7.87
GC25 (Coupon 8.50%, BMK R186)	↓	8.32	-0.035	8.36	8.32
GC26 (Coupon 8.50%, BMK R186)	↓	9.03	-0.035	9.07	9.03
GC27 (Coupon 8.00%, BMK R186)	↓	9.35	-0.035	9.39	9.35
GC30 (Coupon 8.00%, BMK R2030)	↓	11.27	-0.020	11.29	11.27
GC32 (Coupon 9.00%, BMK R213)	↓	12.46	-0.015	12.47	12.46
GC35 (Coupon 9.50%, BMK R209)	↓	13.09	-0.010	13.10	13.09
GC37 (Coupon 9.50%, BMK R2037)	↓	14.08	-0.005	14.08	14.08
GC40 (Coupon 9.80%, BMK R214)	⇒	14.00	0.000	14.00	13.97
GC43 (Coupon 10.00%, BMK R2044)	↑	14.30	0.005	14.30	14.30
GC45 (Coupon 9.85%, BMK R2044)	↑	14.31	0.005	14.31	14.31
GC48 (Coupon 10.00%, BMK R2048)	↑	14.73	0.005	14.72	14.73
GC50 (Coupon 10.25%, BMK: R2048)	↑	14.47	0.005	14.46	14.47
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	⇒	4.00	0.000	4.00	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	↑	1,816	0.05%	1,815	1,817
Platinum	↓	935	-1.64%	951	930
Brent Crude	↓	109.1	-2.52%	111.9	110.7
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,677	-0.41%	1,684	1,677
JSE All Share	↓	69,083	-0.88%	69,696	69,083
SP500	↓	3,924	-4.04%	4,089	3,924
FTSE 100	↓	7,438	-1.07%	7,518	7,438
Hangseng	↑	20,644	0.20%	20,603	20,179
DAX	↓	14,008	-1.26%	14,186	14,008
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	16,026	0.81%	15,897	16,026
Resources	↓	71,795	-1.38%	72,798	71,795
Industrials	↓	76,804	-1.27%	77,796	76,804
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	15.97	0.39%	15.91	15.97
N\$/Pound	↓	19.70	-0.82%	19.87	19.78
N\$/Euro	↓	16.71	-0.38%	16.78	16.76
US dollar/ Euro	↓	1.047	-0.77%	1.055	1.050
		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	Apr 22	Mar 22
Inflation	↑	5.6	4.5	5.9	5.9

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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