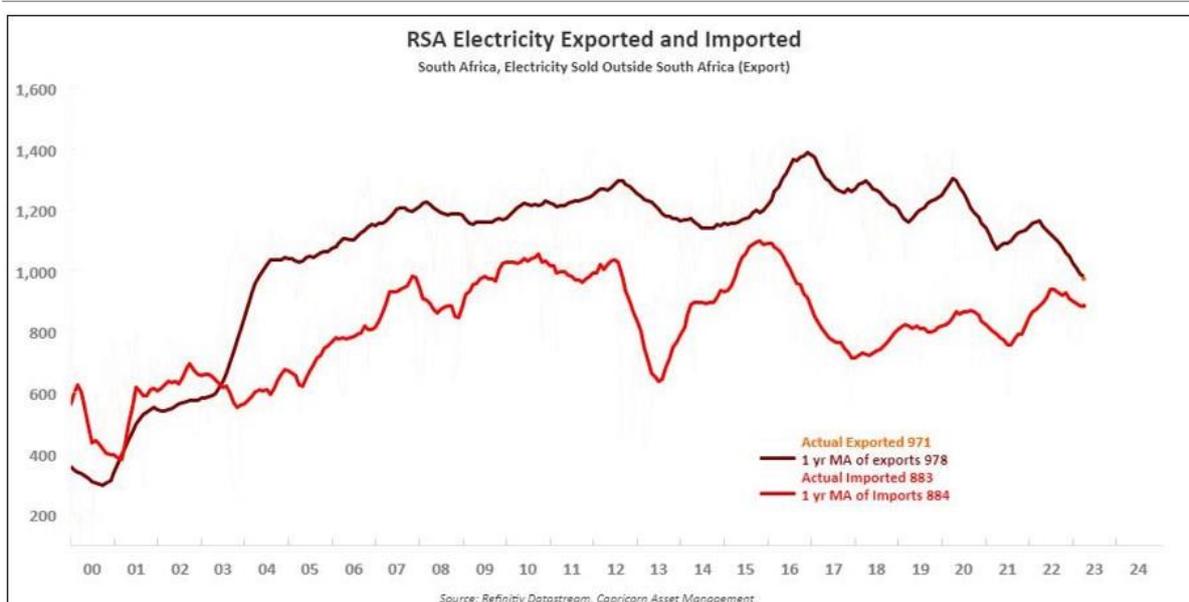




Market Update

Friday, 19 May 2023



Global Markets

Asian shares rose on Friday and the dollar hung near a two-month peak as increased hopes of a deal over the U.S. debt ceiling and strong economic data lifted sentiment, while Japan's Nikkei jumped to highest in nearly 33 years.

MSCI's broadest index of Asia-Pacific shares outside Japan was up 0.20% in choppy trading and was set to clock a gain of 0.6% for the week, its best run in over a month.

Australia's S&P/ASX 200 index rose 0.66%, while Japan's Nikkei continued its ascent, rising to its highest since August 1990, during the country's so-called bubble era.

A series of strong corporate results, an economy that is showing signs of a revival and a renewed interest from foreign investors in the wake of increased investment by Warrant Buffett has boosted Nikkei, with the index soaring 18% in the year, far outperforming other major Asian markets.

Investor attention has been firmly on the negotiations over U.S. debt ceiling and rising optimism that a deal could be reached soon sent U.S. shares higher overnight. E-mini futures for the S&P 500 rose 0.17% in Asian hours.

Futures indicated European stocks were set to open higher, with Eurostoxx 50 futures up 0.44%, German DAX futures up 0.41% and FTSE futures up 0.23%.

U.S. President Joe Biden and House of Representatives Speaker Kevin McCarthy, the top Republican in Washington, hope to finalise a deal on the debt ceiling after Biden returns from the Group of Seven meeting in Japan on Sunday.

"What makes things more complicated this year is that the Democrats and Republicans are so wide apart from each other ... negotiations will take a long time because each one is trying to get something out of that negotiations," said Alexandre Tavazzi, head of CIO office and macro research for Pictet Wealth Management.

In China, data this week showed the economy lost momentum at the beginning of the second quarter, stoking worries over the wobbly post-COVID-19 recovery.

China's blue-chip CSI300 Index rose 0.20%, while the Shanghai Composite Index was up 0.13%, having reversed from earlier losses.

Hong Kong's Hang Seng index fell 1%, dragged down by tech stocks after Alibaba Group Holding Ltd reported a lower-than-expected 2% rise in quarterly revenue. The index is down 1.2% for the year.

"It appears momentum from the reopening may have faded quicker than in other countries and further policy easing may be required," said Shane Oliver, chief economist at AMP.

Meanwhile, data overnight showed fewer-than-expected Americans filed initial jobless claims last week, lowering odds the Federal Reserve will cut interest rates before year-end.

Hawkish rhetoric from Fed speakers continued with Dallas Fed President Lorie Logan and St. Louis Fed President James Bullard saying inflation was not cooling fast enough to allow the Fed to pause its interest-rate hike campaign.

The Fed has lifted borrowing costs at each meeting since March 2022, bringing them from near zero to a 5.00-5.25% range as of early this month.

Markets are now pricing in a 36% chance of a 25 basis point hike when the Fed meets next month, compared with 10% chance a week earlier, CME FedWatch tool showed.

"It's still a difficult call, whether they need to hike again or not," said Robert St Clair, head of investment strategy at Fullerton Fund Management in Singapore.

"There's encouraging signs for inflation across the board, but the one that is still quite sticky is the services inflation," he said. "Things are still going to be data driven."

Investors will parse through comments from Fed Chair Jerome Powell's panel discussion later in the day to gauge the path the central bank is likely to take.

In the currency market, the yen strengthened 0.24% to 138.40 per dollar, but was hovering near the six-month low of 138.75 touched overnight.

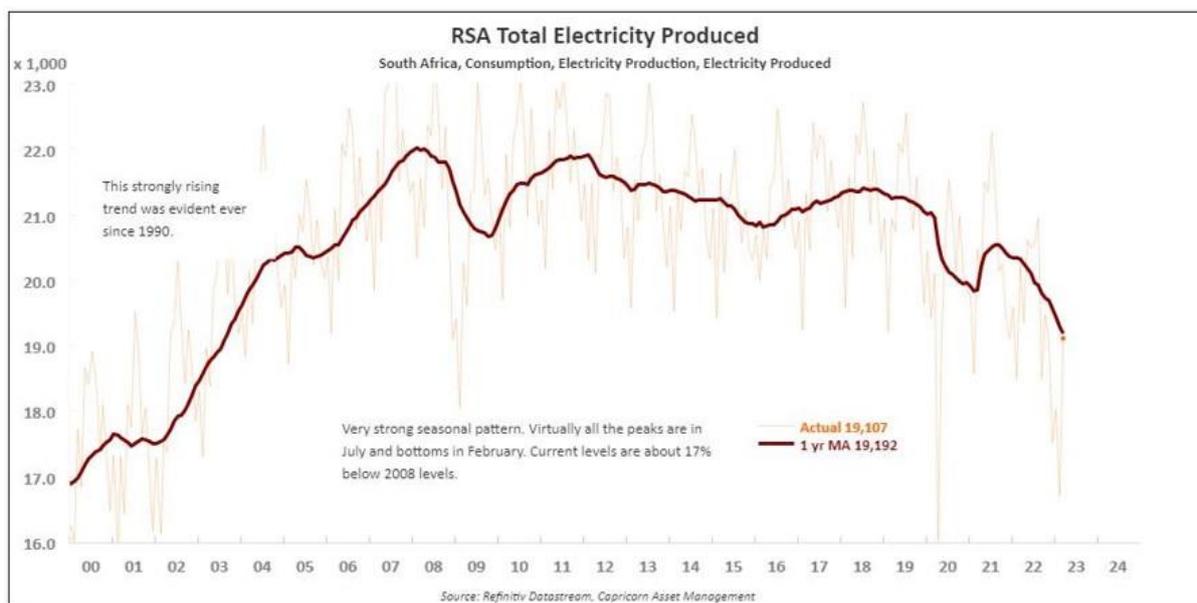
Against a basket of currencies, the dollar rose 0.029% and was wedged near a two-month high.

The offshore yuan fell to 7.0677 per dollar, the weakest since Dec. 2. Analysts predict more weakness in the future and point to the Fed's policy as being the bigger driver than economic weakness at home.

U.S. crude rose 0.65% to \$72.33 per barrel and Brent was at \$76.43, up 0.75% on the day.

Spot gold added 0.3% to \$1,963.59 an ounce.

Source: Thomson Reuters Refinitiv



Domestic Markets

South Africa's rand extended the previous day's losses on Thursday as the U.S. dollar hovered near a seven-week high on optimism over U.S. debt ceiling talks.

At 1529 GMT, the rand traded at 19.3625 against the dollar, almost 0.5% weaker than its previous close. On Wednesday, it fell around 1%.

The dollar was last trading up 0.61% at 103.52 against a basket of global currencies, after U.S. government leaders agreed to negotiate to avoid a damaging debt default.

The risk-sensitive rand often takes cues from global factors like U.S. economic policy in the absence of major local drivers.

It has been weighed down at home by South Africa's power crisis, with state utility Eskom warning on Thursday that it may have to increase scheduled outages to an even higher level.

"The broad R19.00/R19.50 range remains intact for now, but (there) is a distinct feeling of unease over the rand," said Andre Cilliers, currency strategist at TreasuryONE.

"The G7 meeting kicks off today with South Africa not being invited, load-shedding continues unabated, and there is some concern over the S&P's credit rating review tomorrow," he said.

Local investors will turn their focus towards an interest rate decision by the South African Reserve Bank (SARB) next week, with analysts expecting another hike.

"With the rand's substantial weakness... the risk to the inflation outlook on balance is still on the upside, and the SARB is widely expected to hike at its meeting next week," said Investec analyst Annabel Bishop in a research note.

Stock market ended lower, with both the Top-40 index and the broader all-share down over 0.9%.

South Africa's benchmark 2030 government bond was weaker, with the yield up 11 basis points at 11.165%.

Source: Thomson Reuters Refinitiv

Courage is fire, and bullying is smoke.

Benjamin Disraeli

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)					19 May 2023
Money Market TB Rates %			Last close	Difference	Prev close Current Spot
3 months	⇒		8.18	0.000	8.18 8.18
6 months	↑		8.86	0.033	8.83 8.86
9 months	↑		9.18	0.091	9.09 9.18
12 months	↑		9.27	0.091	9.18 9.27
Nominal Bond Yields %			Last close	Difference	Prev close Current Spot
GC23 (Coupon 8.85%, BMK R2023)	⇒		8.30	0.000	8.30 8.30
GC24 (Coupon 10.50%, BMK R186)	↑		9.97	0.180	9.79 9.97
GC25 (Coupon 8.50%, BMK R186)	↑		10.17	0.180	9.99 10.17
GC26 (Coupon 8.50%, BMK R186)	↑		10.00	0.180	9.82 10.00
GC27 (Coupon 8.00%, BMK R186)	↑		10.61	0.180	10.43 10.61
GC28 (Coupon 8.50%, BMK R2030)	↑		10.97	0.110	10.86 10.97
GC30 (Coupon 8.00%, BMK R2030)	↑		11.47	0.110	11.36 11.47
GC32 (Coupon 9.00%, BMK R213)	↑		11.79	0.100	11.69 11.79
GC35 (Coupon 9.50%, BMK R209)	↑		12.76	0.075	12.69 12.76
GC37 (Coupon 9.50%, BMK R2037)	↑		13.62	0.080	13.54 13.62
GC40 (Coupon 9.80%, BMK R214)	↑		13.62	0.060	13.56 13.60
GC43 (Coupon 10.00%, BMK R2044)	↑		13.67	0.063	13.61 13.67
GC45 (Coupon 9.85%, BMK R2044)	↑		14.12	0.063	14.06 14.12
GC48 (Coupon 10.00%, BMK R2048)	↑		14.33	0.075	14.26 14.33
GC50 (Coupon 10.25%, BMK: R2048)	↑		14.28	0.075	14.21 14.28
Inflation-Linked Bond Yields %			Last close	Difference	Prev close Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	⇒		3.29	0.000	3.29 3.29
GI27 (Coupon 4.00%, BMK NCPI)	⇒		3.69	0.000	3.69 3.69
GI29 (Coupon 4.50%, BMK NCPI)	⇒		5.05	0.000	5.05 5.05
GI33 (Coupon 4.50%, BMK NCPI)	⇒		6.05	0.000	6.05 6.05
GI36 (Coupon 4.80%, BMK NCPI)	⇒		6.38	0.000	6.38 6.38
Commodities			Last close	Change	Prev close Current Spot
Gold	↓		1,958	-1.19%	1,982 1,962
Platinum	↓		1,049	-1.84%	1,069 1,053
Brent Crude	↓		75.9	-1.43%	77.0 76.5
Main Indices			Last close	Change	Prev close Current Spot
NSX Overall Index	↓		1,525	-0.24%	1,529 1,525
JSE All Share	↓		77,668	-0.92%	78,391 77,668
SP500	↑		4,198	0.94%	4,159 4,198
FTSE 100	↑		7,742	0.25%	7,723 7,742
Hangseng	↑		19,727	0.85%	19,561 19,484
DAX	↑		16,163	1.33%	15,951 16,163
JSE Sectors			Last close	Change	Prev close Current Spot
Financials	↑		14,743	0.10%	14,729 14,743
Resources	↓		68,538	-1.42%	69,523 68,538
Industrials	↓		108,103	-1.09%	109,298 108,103
Forex			Last close	Change	Prev close Current Spot
N\$/US dollar	↑		19.33	0.38%	19.26 19.32
N\$/Pound	↓		23.98	-0.25%	24.04 23.95
N\$/Euro	↓		20.82	-0.27%	20.87 20.79
US dollar/ Euro	↓		1.077	-0.65%	1.084 1.076
			Namibia		RSA
Interest Rates & Inflation			Apr 23	Mar 23	Apr 23 Mar 23
Central Bank Rate	↑		7.25	7.00	7.75 7.75
Prime Rate	↑		11.00	10.75	11.25 10.75
			Apr 23	Mar 23	Mar 23 Feb 23
Inflation	↓		6.1	7.2	7.1 7.0

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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