



Market Update

Thursday, 2 June 2022



Global Markets

Global benchmark Brent crude was last down more than 2% a barrel at \$113.86 ahead of a meeting of oil producing countries later in the day, which is expected to pave the way for output increases. U.S. crude also dipped more than 2% to \$112.55 per barrel. The fall in oil prices gathered pace after the Financial Times reported that Saudi Arabia may be prepared to raise oil production in the event of a sharp drop in Russia's output.

"This will be well received by Western leaders given inflation – and inflation expectations – remain eye wateringly high, and central banks try to raise rates at the risk of tipping their economies into a recession," said Matt Simpson, senior market analyst at City Index in Sydney. "More supply essentially soothes some of those inflationary fears, even if there is a lot more work to do when it comes to fighting inflation." Investors' worries over inflation and recession have festered amid uncertainty caused by the U.S. Federal Reserve's pace of interest rate hikes, the impact of the Russia-Ukraine war on food and commodity prices, and supply chain constraints exacerbated by strict COVID-19 curbs in China.

On Wednesday, a survey showing stronger-than-expected U.S. manufacturing activity in May did little to assuage those concerns. Jamie Dimon, chairman and chief executive of JPMorgan Chase & Co, likened the challenges facing the U.S. economy to a "hurricane". Rodrigo Catril, senior FX strategist at NAB, said details of the survey showed price signals "still consistent with extremely strong inflationary pressures" and negative employment growth in the manufacturing sector. "The services sector is the big U.S. employer so it will be important to see what the Services ISM reveals on Friday," he said.

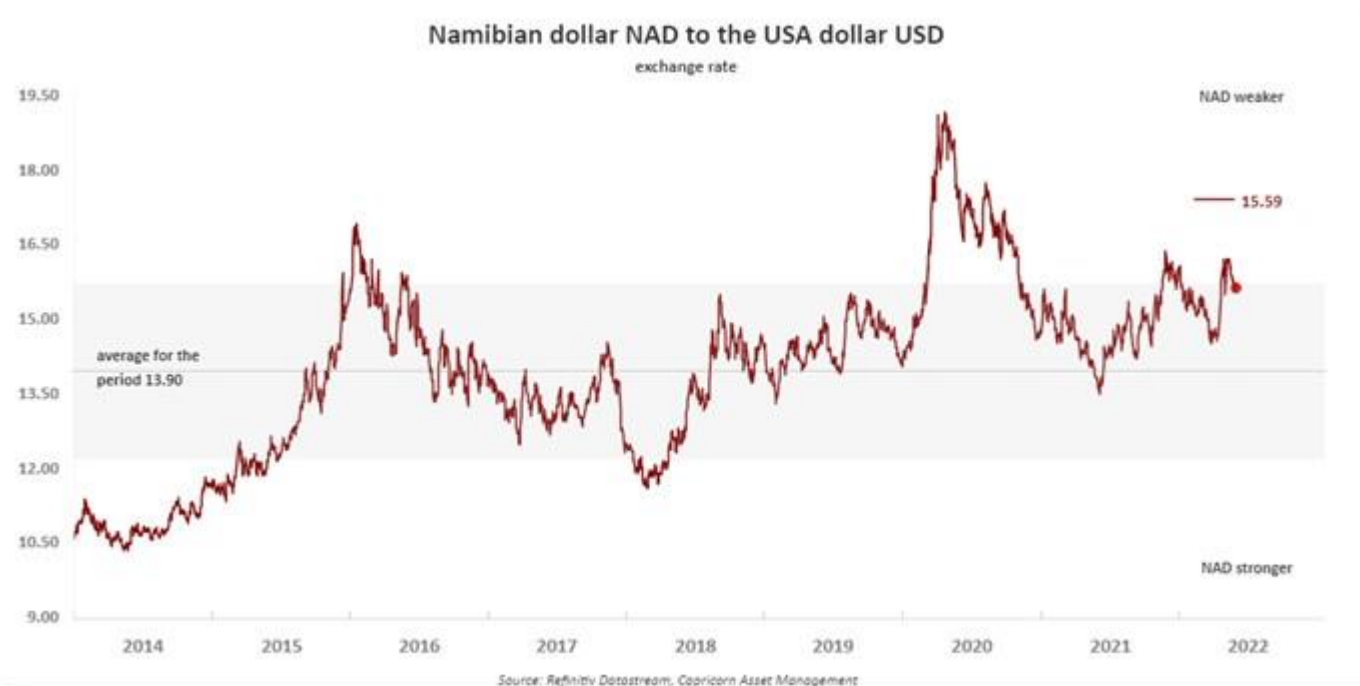
A new survey of South Korean factory activity on Thursday showed slowing growth in May as import and export orders shrank, the latest indicator of global manufacturing woes. In morning trade, MSCI's broadest index of Asia-Pacific shares outside Japan was down 1%. China's blue-chip index fell 0.45%, Australian shares were down 0.90%, and Seoul's KOSPI was about 1% lower. In Tokyo, the Nikkei slid 0.26%.

The Asian moves tracked weakness on Wall Street overnight, where the Dow Jones Industrial Average fell 0.54%, the S&P 500 lost 0.75% and the Nasdaq Composite dropped 0.72%. While the stronger U.S. manufacturing data did little to lift U.S. shares, it supported the dollar. In Asian trade, the global dollar index was steady at 102.56, while the yen firmed slightly to 130.05 per dollar as U.S. yields inched lower from to week highs, and the euro edged up 0.05% to \$1.0651.

Benchmark U.S. 10-year Treasury notes last yielded 2.9149%, down from a U.S. close of 2.931% on Wednesday, while the two-year yield slipped to 2.6517% from a close of 2.664%.

The lower yields kept gold prices steady after hitting a two-week low on Wednesday. Spot gold was little changed at \$1,845.08 per ounce.

Domestic Markets



At 1545 GMT, the rand traded at 15.6350 against the dollar, little changed from its previous close. The rand's resilience came despite the dollar index, which tracks the U.S. unit against a basket of currencies, adding over 0.9%.

The Absa Purchasing Managers' Index survey showed South African factory activity expanded at a faster pace in May, as new sales orders recovered following severe floods in April. Auto association data showed vehicle sales rose 2.1% year-on-year in May.

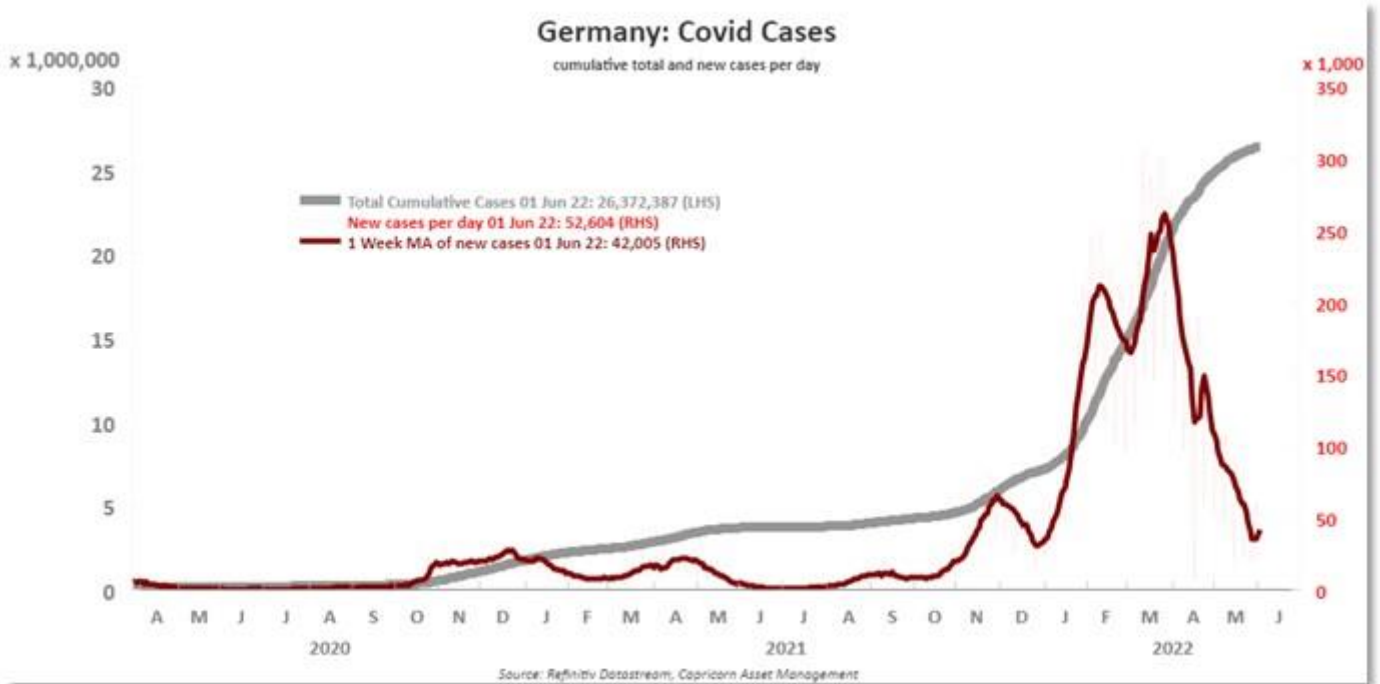
On the Johannesburg Stock Exchange, the All-share index ended 1.7% weaker and the Top-40 index 1.8% lower, mirroring falls in global equities markets. The losses were broad-based, with mining, technology, financial and real estate sectors all falling.

Shares in miner Gold Fields dropped 2%, extending a dramatic 20% collapse a day earlier on investor concerns that the company was paying a huge premium for Canada-based Yamana Gold.

The government's benchmark 2030 bond fell, with the yield up 3.5 basis points at 9.87%.

Corona Tracker

Name	Cases - cumulative total	Cases - newly reported in last 7 days	Deaths - cumulative total	Deaths - newly reported in last 7 days
Global	527,603,107	3,170,907	6,290,452	8,905



Source: Thomson Reuters Refinitiv

From what we get, we can make a living; what we give, however, makes a life.

Arthur Ashe

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)					02 June 2022	
Money Market TB Rates %			Last close	Difference	Prev close	Current Spot
3 months	➡		5.29	0.000	5.29	5.29
6 months	⬆️		5.76	0.025	5.73	5.76
9 months	⬆️		6.63	0.025	6.61	6.63
12 months	⬆️		6.98	0.050	6.93	6.98
Nominal Bond Yields %			Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	⬆️		7.29	0.030	7.26	7.21
GC24 (Coupon 10.50%, BMK R186)	⬆️		7.79	0.035	7.76	7.79
GC25 (Coupon 8.50%, BMK R186)	⬆️		8.24	0.035	8.21	8.24
GC26 (Coupon 8.50%, BMK R186)	⬆️		8.95	0.035	8.92	8.95
GC27 (Coupon 8.00%, BMK R186)	⬆️		9.27	0.035	9.24	9.27
GC30 (Coupon 8.00%, BMK R2030)	⬆️		11.16	0.035	11.13	11.19
GC32 (Coupon 9.00%, BMK R213)	⬆️		12.40	0.050	12.35	12.41
GC35 (Coupon 9.50%, BMK R209)	⬆️		13.06	0.030	13.03	13.06
GC37 (Coupon 9.50%, BMK R2037)	⬇️		14.02	-0.010	14.03	14.05
GC40 (Coupon 9.80%, BMK R214)	⬆️		13.97	0.050	13.92	13.93
GC43 (Coupon 10.00%, BMK R2044)	⬆️		14.28	0.030	14.25	14.26
GC45 (Coupon 9.85%, BMK R2044)	⬆️		14.29	0.030	14.26	14.27
GC48 (Coupon 10.00%, BMK R2048)	⬆️		14.70	0.030	14.67	14.69
GC50 (Coupon 10.25%, BMK: R2048)	⬆️		14.44	0.030	14.41	14.43
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	⬆️		1,846	0.46%	1,837	1,849
Platinum	⬆️		997	3.29%	965	1,000
Brent Crude	⬇️		116.3	-5.33%	122.8	114.8
Main Indices			Last close	Change	Prev close	Current Spot
NSX Overall Index	⬇️		1,787	-1.82%	1,820	1,787
JSE All Share	⬇️		70,849	-1.73%	72,095	70,849
SP500	⬇️		4,101	-0.75%	4,132	4,101
FTSE 100	⬇️		7,533	-0.98%	7,608	7,533
Hangseng	⬇️		21,295	-0.56%	21,415	21,011
DAX	⬇️		14,340	-0.33%	14,388	14,340
JSE Sectors			Last close	Change	Prev close	Current Spot
Financials	⬇️		16,591	-2.34%	16,988	16,591
Resources	⬇️		75,421	-1.98%	76,948	75,421
Industrials	⬇️		77,329	-1.24%	78,302	77,329
Forex			Last close	Change	Prev close	Current Spot
N\$/US dollar	⬇️		15.55	-0.26%	15.59	15.56
N\$/Pound	⬇️		19.42	-1.14%	19.64	19.44
N\$/Euro	⬇️		16.56	-1.05%	16.73	16.59
US dollar/ Euro	⬇️		1.065	-0.81%	1.073	1.066
			Namibia		RSA	
Interest Rates & Inflation			May 22	Apr 22	May 22	Apr 22
Central Bank Rate	⬆️		4.25	4.00	4.75	4.25
Prime Rate	⬆️		8.00	7.75	8.25	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.



For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na

Disclaimer

The information contained in this note is the property of Capricorn Asset Management (CAM). The information contained herein has been obtained from sources and persons whom the writer believes to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute the writer's judgement as of the date of this material and are subject to change without notice. This note is provided for informational purposes only and may not be reproduced in any way without the explicit permission of CAM.

A member of  **Capricorn Group**
