



Market Update

Thursday, 20 April 2023



Global Markets

Asian stocks inched lower on Thursday, while the dollar clung to overnight gains in cautious trading as U.S. Federal Reserve policymakers reiterated their commitment to reining in inflation despite signs of mounting economic headwinds.

MSCI's broadest index of Asia-Pacific shares outside Japan was 0.16% lower, set for a third straight day of losses. Japan's Nikkei was up 0.27%, while Australia's S&P/ASX 200 index was 0.13% higher.

Futures indicated Europe was set for muted open, with Eurostoxx 50 futures up 0.09%, German DAX futures down 0.02% and FTSE futures 0.04% higher.

E-mini futures for the S&P 500 fell 0.18%, while Nasdaq futures slid 0.33%. Shares of Tesla Inc slid 6% in after-hours trading after the electric vehicle maker posted its lowest quarterly gross margin in two years.

Elon Musk doubled down on the price war he started at the end of last year, saying Tesla would prioritise sales growth ahead of profit margins in a weak economy.

Traders are bracing for meetings from central banks in the next few weeks as easing worries over the banking sector brings inflation and monetary policy back into focus.

"Global central banks' narrow focus on combating inflation has gotten more complicated as they are now faced with the added task of maintaining financial stability," said Thomas Poullaouec, head of multi-asset solutions APAC at T. Rowe Price.

A Reuters poll of economists showed the Fed is likely to deliver a final 25-basis-point rate increase in May and then hold rates steady for the rest of the year. Markets are pricing in an 83% chance of the Fed hiking by 25 basis points, CME FedWatch tool showed.

The hawkish rhetoric from Fed speakers continued with Federal Reserve Bank of New York President John Williams saying that the inflation rate is still at problematic levels and that the U.S. central bank will act to lower it.

More Fed speakers are scheduled to give commentary over the rest of the week, before the officials enter a blackout period on April 22 ahead of the central bank's May 2-3 meeting.

U.S. economic activity was little changed in recent weeks as employment growth moderated somewhat and price increases appeared to slow, a Fed report showed on Wednesday.

The central bank's latest read on the state of the economy provides a snapshot of business, bank and worker conditions in the aftermath of the mid-March failure of two large regional banks that shook confidence in the U.S. financial sector.

ING economist Rob Carnell said the report from the Fed was "quite disappointing news because it suggested that the U.S. economy was stalling" and could raise worries over a recession.

"I think we could be looking at yields coming down across the board could be looking at the dollar beginning to weaken again."

Benchmark 10-year yields eased to 3.591% in Asian hours after scaling a four-week peak of 3.639% on Wednesday.

The two-year U.S. Treasury yield, which typically moves in step with interest rate expectations, down 2.3 basis points at 4.242%, having hit 4.286% on Wednesday, the highest since March 15.

Chinese stocks fell on Thursday, as sentiment was soured by fresh data this week that highlighted an uneven economic recovery after the country's reopening this year. China's blue-chip CSI 300 Index was down 0.64%, while the Shanghai Composite Index eased 0.69%. Hong Kong's Hang Seng index was 0.19% higher.

In currency markets, the U.S. dollar index gave up 0.029%, with the euro tacking on 0.02% to \$1.0956.

The yen weakened 0.05% to 134.78 per dollar, while sterling was last trading at \$1.2432, down 0.05%.

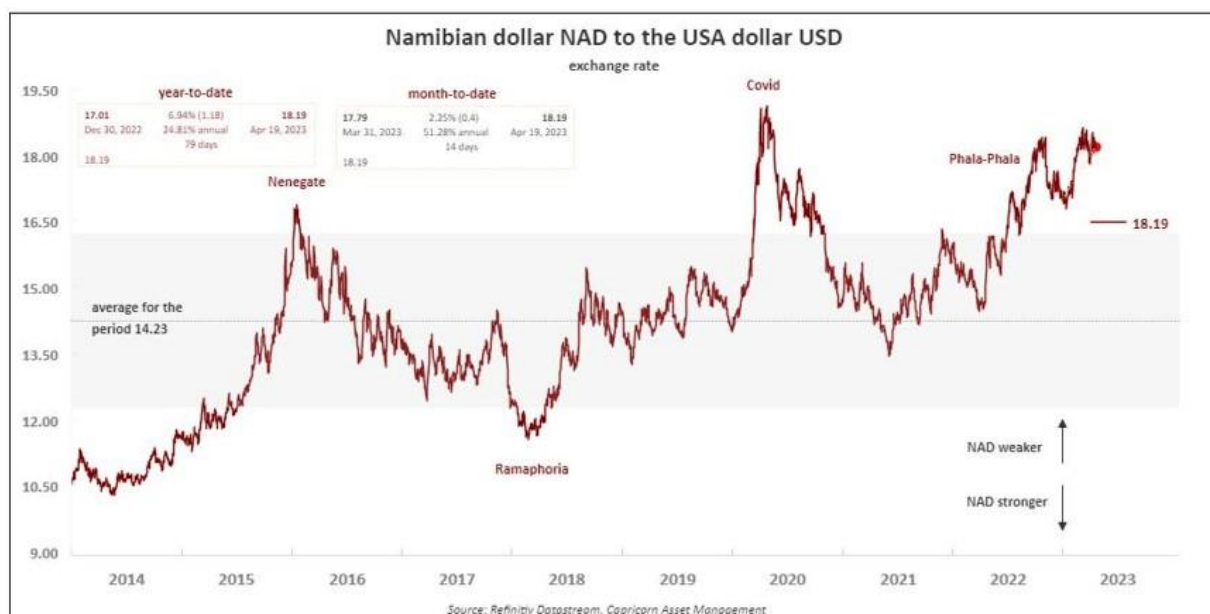
Data on Wednesday showed Britain has the highest inflation in Western Europe, bolstering expectations that the Bank of England will raise interest rates at its meeting in May.

Elsewhere, Australia's central bank will get a new specialist board to manage monetary policy that will be chaired by the governor but have independent expert members with more power over the setting of interest rates.

In oil markets, U.S. crude fell 0.99% to \$78.38 per barrel and Brent was at \$82.37, down 0.9% on the day.

Source: Thomson Reuters Refinitiv

Domestic Markets



The South African rand recovered some losses it incurred earlier on Wednesday after local inflation data showed a rise in prices for the second consecutive month.

At 1518 GMT, the rand traded at 18.1300 against the dollar, 0.19% stronger than its previous close.

Inflation in Africa's most industrialised economy rose 7.1% year-on-year in March, driven by a steep increase in food prices, Statistics South Africa said.

The reading was a surprise as analysts polled by Reuters had predicted a drop in March to 6.9%.

The South African currency, which has been on a downward path for the better part of the year, slumped more than 0.8% after the announcement, before regaining some ground.

The earlier weakness in the rand was also due to a stronger dollar and lower export commodity prices, said Shaun Murison, senior market analyst at IG.

Inflation numbers are closely watched for their implications for the South African Reserve Bank's monetary policy.

The central bank has raised interest rates nine times in a row since November 2021 in a bid to tame inflation, with last month's hike a bigger-than-expected 50 basis points.

Separately, South African retail sales fell 0.5% year-on-year in February after falling by 0.8% in January, data showed.

Shares ended lower on the Johannesburg Stock Exchange, with both the blue-chip Top-40 index and the broader all-share index closing around 0.6% lower.

The government's benchmark 2030 bond was weaker, with the yield up 6.5 basis points at 10.115%.

Source: Thomson Reuters Refinitiv

It is difficult to say what is impossible, for the dream of yesterday is the hope of today and the reality of tomorrow.

Robert H. Goddard

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				20 April 2023	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	⇒	8.47	0.000	8.47	8.47
6 months	↑	8.78	0.017	8.76	8.78
9 months	↑	9.15	0.008	9.14	9.15
12 months	↑	9.26	0.008	9.25	9.26
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	⇒	8.40	0.000	8.40	8.40
GC24 (Coupon 10.50%, BMK R186)	↑	9.12	0.085	9.03	9.11
GC25 (Coupon 8.50%, BMK R186)	↑	9.27	0.085	9.18	9.26
GC26 (Coupon 8.50%, BMK R186)	↑	9.17	0.085	9.08	9.16
GC27 (Coupon 8.00%, BMK R186)	↑	9.64	0.085	9.55	9.63
GC28 (Coupon 8.50%, BMK R2030)	↑	9.92	0.065	9.85	9.91
GC30 (Coupon 8.00%, BMK R2030)	↑	10.62	0.065	10.55	10.61
GC32 (Coupon 9.00%, BMK R213)	↑	11.29	0.070	11.22	11.29
GC35 (Coupon 9.50%, BMK R209)	↑	12.61	0.035	12.58	12.61
GC37 (Coupon 9.50%, BMK R2037)	↑	13.05	0.035	13.02	13.05
GC40 (Coupon 9.80%, BMK R214)	↑	13.16	0.030	13.13	13.16
GC43 (Coupon 10.00%, BMK R2044)	↑	13.96	0.015	13.94	13.96
GC45 (Coupon 9.85%, BMK R2044)	↑	13.86	0.015	13.84	13.86
GC48 (Coupon 10.00%, BMK R2048)	↑	14.01	0.010	14.00	14.01
GC50 (Coupon 10.25%, BMK: R2048)	↑	14.11	0.010	14.10	14.11
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)	⇒	3.63	0.000	3.63	3.63
GI29 (Coupon 4.50%, BMK NCPI)	↑	5.25	0.088	5.16	5.25
GI33 (Coupon 4.50%, BMK NCPI)	⇒	6.19	0.000	6.19	6.19
GI36 (Coupon 4.80%, BMK NCPI)	⇒	6.46	0.000	6.46	6.46
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,993	-0.58%	2,005	1,994
Platinum	↑	1,090	0.69%	1,083	1,082
Brent Crude	↓	83.1	-1.95%	84.8	82.2
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,618	-0.66%	1,629	1,618
JSE All Share	↓	78,797	-0.63%	79,295	78,797
SP500	↓	4,155	-0.01%	4,155	4,155
FTSE 100	↓	7,899	-0.13%	7,909	7,899
Hangseng	↓	20,368	-1.37%	20,651	20,345
DAX	↑	15,895	0.08%	15,883	15,895
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	15,466	-0.20%	15,496	15,466
Resources	↓	72,044	-2.23%	73,687	72,044
Industrials	↑	106,029	0.16%	105,857	106,029
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	18.18	0.09%	18.16	18.19
N\$/Pound	↑	22.61	0.20%	22.56	22.62
N\$/Euro	↓	19.91	-0.07%	19.92	19.94
US dollar/ Euro	↓	1.095	-0.15%	1.097	1.096
		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
		Mar 23	Feb 23	Mar 23	Feb 23
Inflation	⇒	7.2	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 listeds

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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