

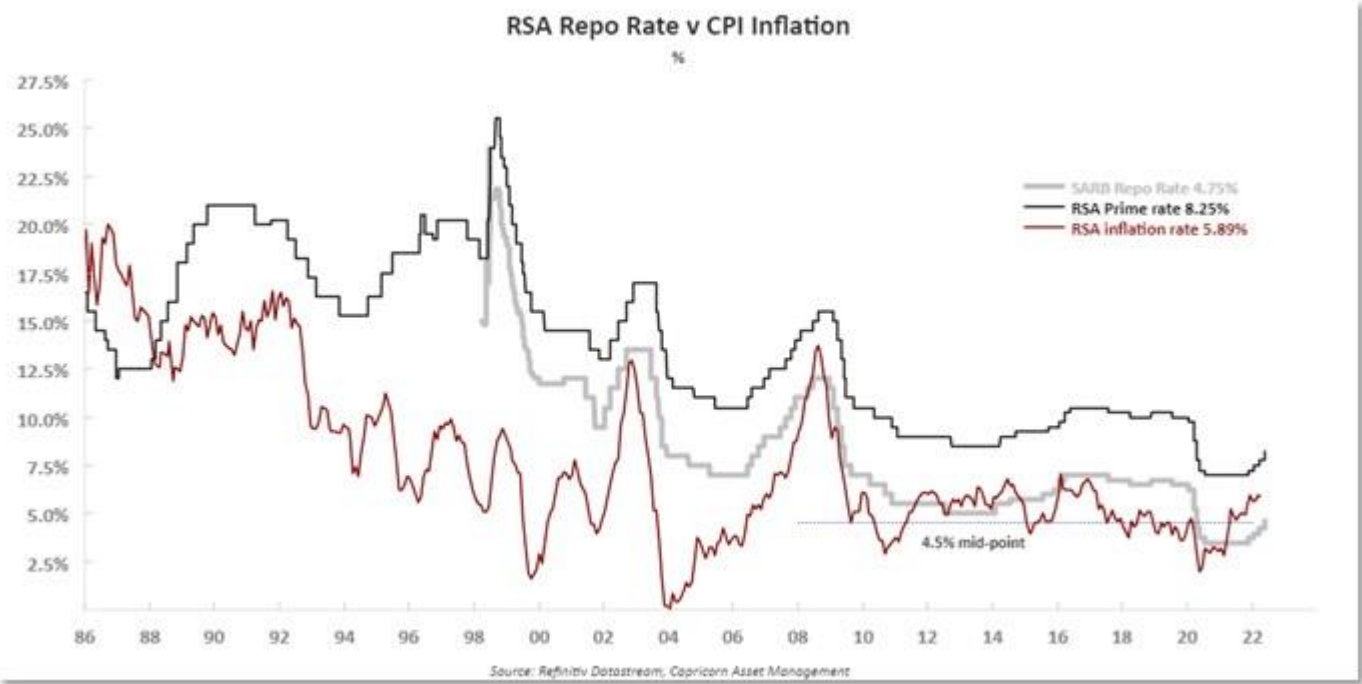


The Daily Brief

Capricorn Asset Management

Market Update

Friday, 20 May 2022



Global Markets

Asian shares jumped in early trade on Friday after China cut a key lending benchmark to support a slowing economy, but a gauge of global equities remained set for its longest weekly losing streak on record amid investor worries about sluggish growth.

China cut its five-year loan prime rate (LPR) by 15 basis points on Friday morning, a sharper cut than had been expected, as authorities seek to cushion an economic slowdown, though it left the one-year LPR unchanged. The five-year rate influences the pricing of mortgages. Most respondents to a Reuters poll had expected a marginal 5-basis-point cut to both rates.

MSCI's broadest index of Asia-Pacific shares outside Japan quickly built on early gains after the cut and was last up 1.4%. Chinese blue-chips were 1.1% higher in early trade and Hong Kong's Hang Seng index jumped more than 2%, while Australian shares rose 1.3%. In Tokyo, the Nikkei stock index gained 1%.

"While it certainly will not suffice to reverse growth headwinds in Q2, (the cut) constitutes a move in the right direction so markets might be reacting to expectations of stronger easing going forward," said Carlos Casanova, senior Asia economist at Union Bancaire Privee in Hong Kong.

Despite the gains in Asian shares, MSCI's All-Country World Price Index remained headed for its seventh straight week in the red, the longest such stretch since its inception in 2001. It would also be the longest including back-tested data extending to January 1988. Concerns over the impact of battered supply chains on inflation and growth have prompted investors to dump shares, with Cisco Systems Inc on Thursday tumbling to an 18-month low after it warned of persistent component shortages, citing the impact of China's COVID lockdowns.

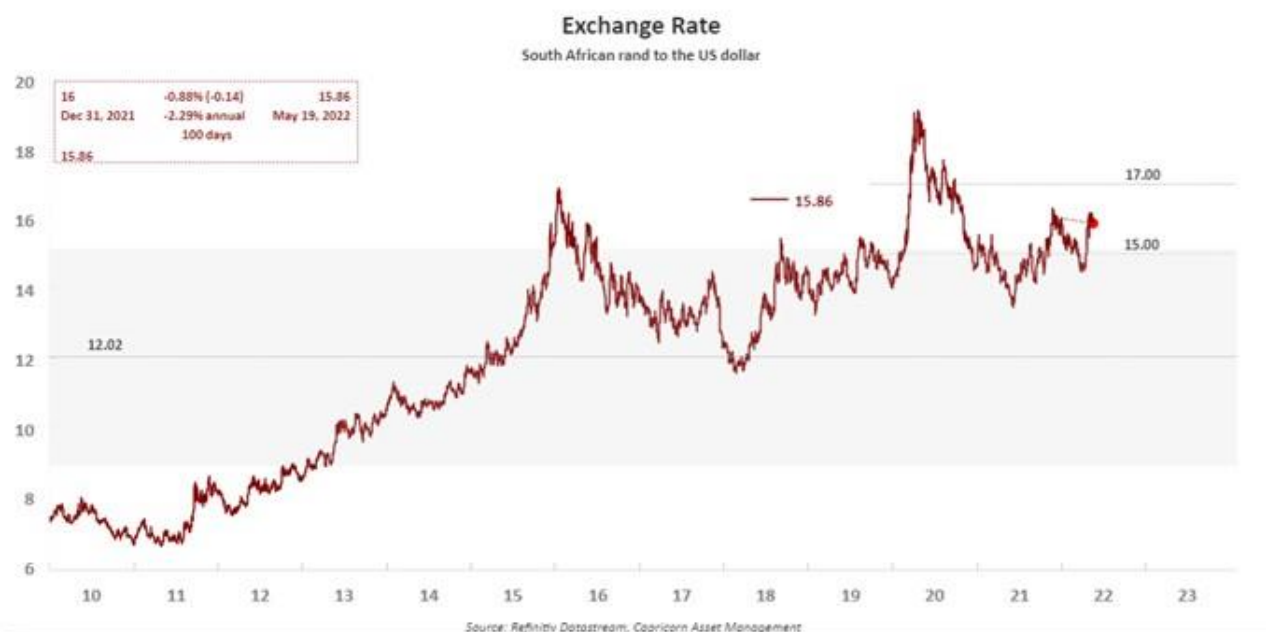
On Friday, China's financial hub of Shanghai announced three new COVID-19 cases outside of quarantined areas, throwing a wrench in the city's hopes for an exit from its strict, weeks-long lockdown. "The focus of (Chinese) officials has been to come up with easing policies to mitigate the impact of COVID suppression ... The problem is that such easing policies will not have any real impact so long as the COVID suppression policy is tightly enforced," said Christopher Wood, global head of equities at Jefferies.

The gains in Asia came after a late rally on Wall Street petered out, leaving the Dow Jones Industrial Average down 0.75%, the S&P 500 0.58% lower and the Nasdaq Composite off by 0.26%. Mirroring the shift in risk appetite in equities, U.S. government bond yields ticked higher following China's LPR cut. The U.S. 10-year yield was last at 2.8677%, up from a close of 2.855% on Thursday, while the two-year yield climbed to 2.6364% compared with a U.S. close of 2.611%.

In currency markets, the dollar index was 0.08% higher at 102.99 as the safe-haven yen slipped against the dollar. The greenback was last up 0.23% against the Japanese currency, and the euro was 0.14% lower at \$1.0571. China's onshore yuan weakened a quarter of a percent to 6.726 per dollar, and the more freely traded offshore yuan weakened past 6.74 per dollar.

Oil prices remained lower on worries over economic growth, through crude pared losses following China's LPR announcement. Brent crude was last down 0.37% at \$111.63 per barrel and U.S. West Texas Intermediate crude was 0.19% lower at \$112 per barrel. Spot gold was lower, falling 0.2% to \$1838 per ounce.

Domestic Markets



The South African rand firmed further against the dollar on Thursday after the central bank hiked its prime lending rate by 50 basis points to 4.75%, its biggest hike in more than six years, in a move to rein in inflation.

At 1530 GMT, the rand was trading at 15.8350 against the dollar, 1.66% stronger than its previous close.

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

South African Reserve Bank Governor Lesetja Kganyago said prices would continue to exert upside pressure on inflation due to the Ukraine crisis. "In the near-term, headline inflation ... is forecast to breach the target range in the second quarter," he said, adding it would return closer to the midpoint in the fourth quarter of 2024.

The rand was further supported by a fall in the U.S. dollar with the safe-haven dollar index falling as easing in Shanghai's coronavirus lockdown lifted the appetite for riskier assets in the global market.

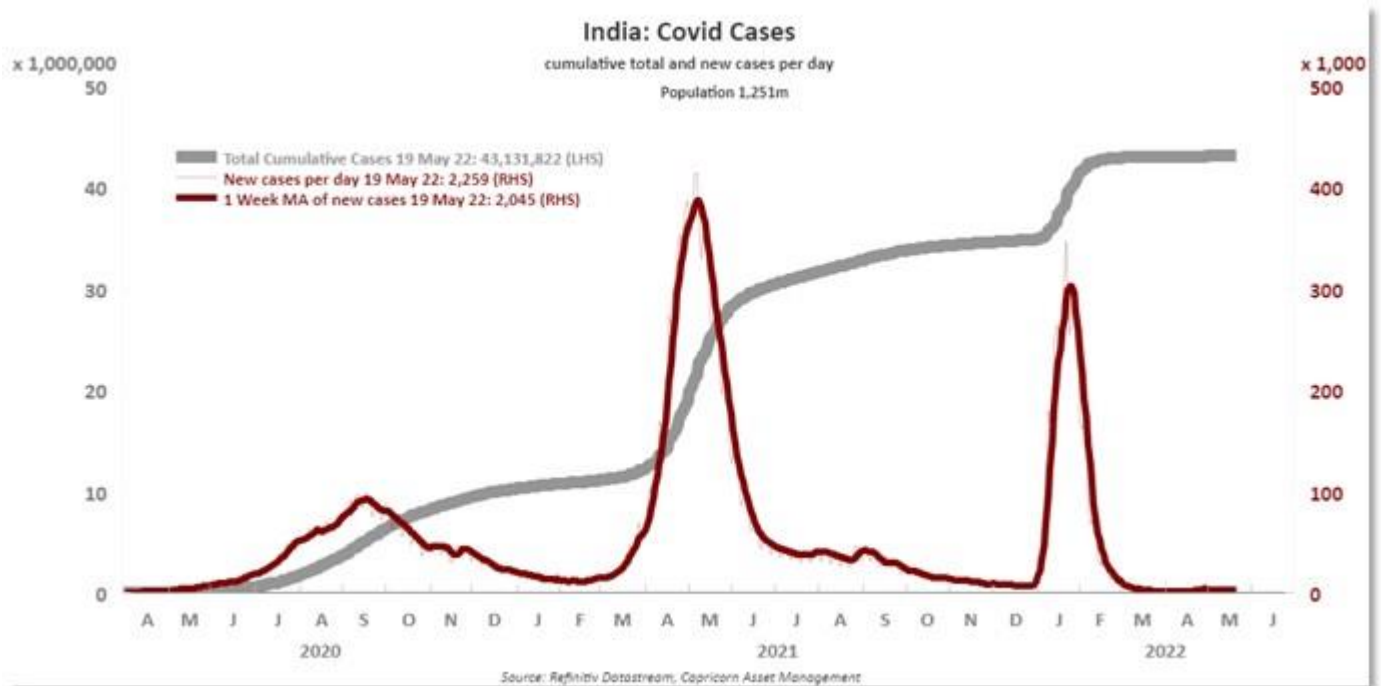
"The MPC's decision to hike the repo rate by 50 bps has provided a second tailwind for the rand, which was already strengthening on the back of the pullback in the USD," Kieran Siney of ETM Analytics said in a comment emailed to Reuters.

In fixed income, the yield on the benchmark 2030 bond was up 11 basis points to 9.870%.

Shares on the Johannesburg Stock Exchange (JSE) slumped heavily on Thursday as a batch of corporate commentary from U.S. retailers fanned worries of inflation eating into the profits of companies and as shares of tech companies in Hong Kong fell. The benchmark all-share index closed 1.2% weaker at 68,245 points while the blue-chip index of top 40 companies ended down 1.23% at 61,725 points. Leading the decliners was Walmart-owned retailer Massmart, which fell 6.89% to 37.59 rand to a 1 year 5-month low after it said sales for the 19-week period ended May 8 decreased 0.2%.

Corona Tracker

Name	Cases - cumulative total	Cases - newly reported in last 7 days	Deaths - cumulative total	Deaths - newly reported in last 7 days
Global	520,912,257	3,649,221	6,272,408	10,020



Source: Thomson Reuters Refinitiv

I dream of an Africa which is in peace with itself.

Nelson Mandela

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)					20 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	0.000	5.55 5.55
9 months	↓		6.42	-0.008	6.43 6.42
12 months	↓		6.83	-0.017	6.85 6.83
Nominal Bond Yields %			Last close	Difference	Prev close Current Spot
GC23 (Coupon 8.85%, BMK R2023)	↑		7.37	0.025	7.34 7.37
GC24 (Coupon 10.50%, BMK R186)	↓		7.77	-0.105	7.87 7.78
GC25 (Coupon 8.50%, BMK R186)	↓		8.22	-0.105	8.32 8.23
GC26 (Coupon 8.50%, BMK R186)	↓		8.93	-0.105	9.03 8.94
GC27 (Coupon 8.00%, BMK R186)	↓		9.25	-0.105	9.35 9.26
GC30 (Coupon 8.00%, BMK R2030)	↓		11.17	-0.100	11.27 11.18
GC32 (Coupon 9.00%, BMK R213)	↓		12.37	-0.085	12.46 12.38
GC35 (Coupon 9.50%, BMK R209)	↓		13.02	-0.070	13.09 13.03
GC37 (Coupon 9.50%, BMK R2037)	↓		14.00	-0.075	14.08 14.00
GC40 (Coupon 9.80%, BMK R214)	↓		13.92	-0.075	14.00 13.88
GC43 (Coupon 10.00%, BMK R2044)	↓		14.23	-0.070	14.30 14.23
GC45 (Coupon 9.85%, BMK R2044)	↓		14.24	-0.070	14.31 14.24
GC48 (Coupon 10.00%, BMK R2048)	↓		14.65	-0.075	14.73 14.66
GC50 (Coupon 10.25%, BMK: R2048)	↓		14.39	-0.075	14.47 14.40
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	↑		1,842	1.44%	1,816 1,845
Platinum	↑		962	2.88%	935 964
Brent Crude	↑		112.0	2.69%	109.1 111.5
Main Indices			Last close	Change	Prev close Current Spot
NSX Overall Index	↓		1,655	-1.35%	1,677 1,655
JSE All Share	↓		68,246	-1.21%	69,083 68,246
SP500	↓		3,901	-0.58%	3,924 3,901
FTSE 100	↓		7,303	-1.82%	7,438 7,303
Hangseng	↓		20,121	-2.54%	20,644 20,550
DAX	↓		13,882	-0.90%	14,008 13,882
JSE Sectors			Last close	Change	Prev close Current Spot
Financials	↓		15,729	-1.86%	16,026 15,729
Resources	↓		71,337	-0.64%	71,795 71,337
Industrials	↓		75,802	-1.30%	76,804 75,802
Forex			Last close	Change	Prev close Current Spot
N\$/US dollar	↓		15.82	-0.93%	15.97 15.84
N\$/Pound	↑		19.71	0.04%	19.70 19.78
N\$/Euro	↑		16.75	0.22%	16.71 16.77
US dollar/ Euro	↑		1.059	1.15%	1.047 1.059
			Namibia		RSA
Interest Rates & Inflation			Apr 22	Mar 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**
