



Market Update

Thursday, 22 September 2022



Global Markets

The dollar surged to a fresh two-decade high and Asian stocks hit a two-year low on Thursday after the Federal Reserve sharply hiked U.S. interest rates and projected raising them further and faster than investors had expected in order to tame inflation.

The median of Fed officials' outlook, which has U.S. rates at 4.4% by year's end and staying high in 2023, seemed to spook even hawkishly positioned rates and currency markets and quickly extinguished relief that Wednesday's hike had not been larger.

The dollar index, a measure of the greenback against a basket of majors, extended Wednesday gains to make a new 20-year high at 111.72 during the Asia session.

The euro sank to a 20-year low of \$0.9807 as Russia mobilised reservist troops for the war in Ukraine. The yen briefly hit a 24-year trough when Japanese policymakers unanimously stuck with ultra-easy settings, as expected.

Gold fell 1%. Sterling, the Aussie, kiwi, loonie, Sing dollar and yuan all made milestone lows. S&P 500 futures fell 0.6% and European futures dropped 2%.

"The Fed is not going to stop any time soon and there's going to be an extended period of restrictive monetary policy for at least the next year or so," said Sally Auld, chief investment officer at wealth manager JB Were in Sydney.

"What else do you buy except for the U.S. dollar at the moment?" she added, citing growth clouds over Europe, Britain and China and yen weakness as Japan holds interest rates low.

MSCI's broadest index of Asia-Pacific shares outside Japan dropped 1.4% to its lowest since May 2020. Japan's Nikkei fell 0.8% and touched a two-month low.

The U.S. yield curve deepened its inversion as investors priced out the chance of a "soft" economic landing and braced for damage to longer-run growth.

The two-year yield rose to as high as 4.1320% in Asia while the 10-year yield held at 3.5416%.

"The chances of a soft landing are likely to diminish to the extent that policy needs to be more restrictive, or restrictive for longer," Fed Chair Jerome Powell told reporters after the rate hike announcement.

HIKES AHEAD

Central bank meetings in Taiwan, the Philippines, Indonesia, Switzerland, Britain and Norway are due later in the day with hikes expected everywhere.

Japan and China are the only major global outliers, with China cutting rates to support a sputtering economy and Japan waiting for wage growth before considering an exit to an enormous bond buying project that pins rates near zero.

The yen shot to a two-decade low at 145.50 per dollar in the wake of the BOJ keeping policy steady, before rebounding a bit as traders are jittery about the prospect of currency intervention.

Governor Haruhiko Kuroda's views on the yen's precipitous slide will be closely watched when he speaks at 0630 GMT.

The Australian and New Zealand dollars were pinned at their lowest since mid-2020, with the Aussie down 0.7% on Thursday at \$0.6586 and the kiwi down 0.6% at \$0.5816.

"Between the escalating geopolitical risks over Ukraine and the hawkish Fed, the U.S. dollar is ever rampant," said currency strategist Alvin Tan at RBC Capital Markets in Singapore.

In commodity markets, oil recouped early losses as concerns over tight supplies heading into winter eclipsed fears of a global recession which sparked a slide in the previous session.

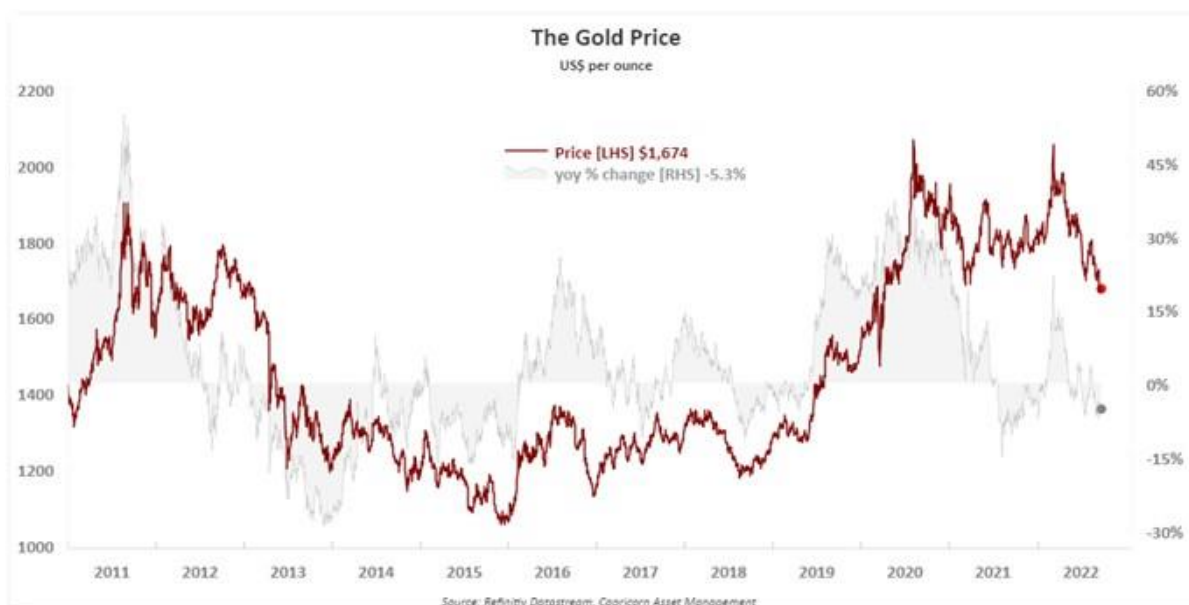
Brent crude futures rose 50 cents, or 0.6%, to \$90.33 per barrel by 0319 GMT. U.S. West Texas Intermediate (WTI) crude rose 45 cents to \$83.39.

Wheat steadied after rising on fears of a wider and deeper war in Ukraine.

Cryptocurrencies were pinned near recent lows, with bitcoin at \$18,795.

Source: Thomson Reuters Refinitiv

Domestic Markets



The South African rand held steady on Wednesday as the U.S. dollar surged to new highs after a decision by Russian President Vladimir Putin to mobilise more troops for the conflict in Ukraine.

At 1711 GMT, the rand traded at 17.6950 against the dollar, 0.08% weaker than its previous close.

Putin on Wednesday called up 300,000 reservists to fight in Ukraine, propelling the dollar index, which measures the greenback's value against six major currencies, to 110.87, its strongest level since 2002.

Local data showed on Wednesday that headline consumer inflation eased to 7.6% year on year in August from 7.8% in July.

However, analysts polled by Reuters had forecast consumer price inflation of 7.5%.

"Inflationary pressures ease, albeit by slightly less than the markets expected," Nedbank economists said in a research note, adding that upward pressure came from food and non-alcoholic beverage prices.

On the stock market, the Top-40 index was down 0.5% while the broader all-share ended 0.59% lower.

The South African government's benchmark 2030 bond was stronger in afternoon trade, pushing the yield down 2.5 basis points to 10.510%.

Source: Thomson Reuters Refinitiv

Corona Tracker

Name	Cases - cumulative total	⇅↓	Cases - newly reported in last 7 days	Deaths - cumulative total	Deaths - newly reported in last 7 days
Global	610,393,563		3,077,205	6,508,521	9,560

Source: Thomson Reuters Refinitiv

The principles of true art is not to portray, but to evoke.

Jerzy Kosinski

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)		22 September 2022			
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↑	6.76	0.041	6.72	6.76
6 months	↑	7.17	0.042	7.13	7.17
9 months	↑	8.03	0.025	8.01	8.03
12 months	↑	8.47	0.042	8.43	8.47
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	⇒	8.66	0.000	8.66	8.66
GC24 (Coupon 10.50%, BMK R186)	↓	8.59	-0.050	8.64	8.59
GC25 (Coupon 8.50%, BMK R186)	↓	9.04	-0.050	9.09	9.04
GC26 (Coupon 8.50%, BMK R186)	↓	9.10	-0.050	9.15	9.10
GC27 (Coupon 8.00%, BMK R186)	↓	10.07	-0.050	10.12	10.07
GC30 (Coupon 8.00%, BMK R2030)	↓	11.80	-0.025	11.83	11.80
GC32 (Coupon 9.00%, BMK R213)	↓	11.95	-0.035	11.99	11.95
GC35 (Coupon 9.50%, BMK R209)	↓	12.47	-0.025	12.50	12.47
GC37 (Coupon 9.50%, BMK R2037)	↓	13.07	-0.020	13.09	13.07
GC40 (Coupon 9.80%, BMK R214)	↓	13.42	-0.025	13.44	13.39
GC43 (Coupon 10.00%, BMK R2044)	↓	13.94	-0.025	13.97	13.94
GC45 (Coupon 9.85%, BMK R2044)	↓	14.46	-0.025	14.49	14.46
GC48 (Coupon 10.00%, BMK R2048)	↓	14.62	-0.025	14.64	14.62
GC50 (Coupon 10.25%, BMK: R2048)	↓	14.63	-0.025	14.65	14.63
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	⇒	2.90	0.000	2.90	2.90
GI27 (Coupon 4.00%, BMK NCPI)	⇒	4.99	0.000	4.99	4.99
GI29 (Coupon 4.50%, BMK NCPI)	⇒	4.75	0.000	4.75	4.75
GI33 (Coupon 4.50%, BMK NCPI)	⇒	6.11	0.000	6.11	6.11
GI36 (Coupon 4.80%, BMK NCPI)	⇒	7.10	0.000	7.10	7.10
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,674	0.64%	1,663	1,662
Platinum	↓	908	-1.59%	922	903
Brent Crude	↓	89.8	-0.87%	90.6	90.3
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,504	0.34%	1,499	1,504
JSE All Share	↓	66,209	-0.59%	66,603	66,209
SP500	↓	3,790	-1.71%	3,856	3,790
FTSE 100	↑	7,238	0.63%	7,193	7,238
Hangseng	↓	18,445	-1.79%	18,781	18,080
DAX	↑	12,767	0.76%	12,671	12,767
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	14,502	0.07%	14,491	14,502
Resources	↑	60,767	0.10%	60,705	60,767
Industrials	↓	81,409	-1.08%	82,301	81,409
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	17.73	0.28%	17.68	17.74
N\$/Pound	↓	19.97	-0.72%	20.12	19.96
N\$/Euro	↓	17.43	-1.07%	17.62	17.45
US dollar/ Euro	↓	0.984	-1.33%	0.997	0.984
		Namibia		RSA	
Interest Rates & Inflation		Aug 22	Jul 22	Aug 22	Jul 22
Central Bank Rate	↑	5.50	4.75	5.50	5.50
Prime Rate	↑	9.25	8.50	9.00	9.00
		Aug 22	Jul 22	Aug 22	Jul 22
Inflation	↑	7.3	6.8	7.6	7.8

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

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