



Market Update

Tuesday, 24 January 2023



Global Markets

Global equity markets surged on Monday as easing recession fears and hopes of a less aggressive Federal Reserve buoyed sentiment, while the likelihood of more jumbo interest rate hikes in Europe pushed the euro to a nine-month peak against the dollar. Gains in chipmakers boosted beaten-down U.S. tech stocks as the market priced in a 95.8% probability of the Fed raising rates by 25 basis points to a range of 4.50% to 4.75% on Feb. 1. Easing fears of a recession also helped lift equities, as they did in the euro zone, despite expectations the European Central Bank will hike rates by 50 basis points both on Feb. 2 and in March, according to a Reuters poll of economists. The start of a big week for U.S. corporate earnings is expected to test a recent bounce in tech and other growth stocks as companies discuss their outlook amid a slowing economy.

Stocks are rallying as people mistakenly believe a proximate change in Fed policy will resolve worries about higher rates and their impact on the economy, said Jason Pride, chief investment officer of private wealth at Glenmede in Philadelphia. "We are already at a point where if we stick at these numbers and hold them for a period of time, it is not good for the economy," said Pride, referring to

rates that he believes are now "restrictive" and squeezing economic growth. "This is like other market rallies that we've seen within an ongoing bear market in that you have these periods of optimism seep in because people think that the story is changing enough that the problem is gone," he said.

The Dow Jones Industrial Average rose 0.76%, the S&P 500 gained 1.19% and the Nasdaq Composite added 2.01%, extending gains since late last month to more than 11%. In Europe, technology firms also spearheaded gains as optimism about Europe likely avoiding a steep recession overshadowed recent hawkish remarks from ECB officials. The pan-European STOXX 600 closed up 0.6%, as declining natural gas prices eased recession fears. Trading was thin in Asia, as markets in China, Hong Kong, Singapore, Malaysia, South Korea and Taiwan were closed for the Lunar New Year holiday. MSCI's U.S.-centric all-country index of stock performance in 47 countries rose 0.99% to close at an almost five-month high.

Investors are waiting for euro zone and U.S. flash PMI data on Tuesday, which are expected to show less severe economic contractions than the previous month, according to analysts polled by Reuters. The data is forecast to show more improvement in Europe than in the United States.

The difference in expectations for Fed and ECB policy led the euro to hit \$1.0927 as it climbs from a two-decade low of \$0.953 set in September. The single currency later pared gains against the dollar as it slid to \$1.0869. "The combination of a risk-off mood in the stock market and the divergence between the Fed and ECB allowed the euro to make new highs above 109," said Marc Chandler, chief market strategist at Bannockburn Global Forex in New York. Sterling traded at \$1.2375, down 0.15%, while the Australian dollar, seen as a proxy for risk appetite, rose 0.86% to \$0.7026. The Japanese yen weakened 0.83% at 130.67 per dollar.

Treasury yields rose to further erode a recent bond rally that some investors say was overdone in reflecting fears that the U.S. economy may soon enter a recession. The yield on 10-year Treasury notes rose 3.7 basis points to 3.521%. Eurozone bonds were little changed, with the benchmark 10-year German yield at 2.209%.

Crude prices settled mixed, retreating as investors cashed in on a jump to a seven-week high on optimism about a possible recovery in demand at top oil importer China, as the economy recovers this year from pandemic lockdowns. Brent crude settled 56 cents higher at \$88.19 a barrel. U.S. crude fell two cents to settle at \$81.62. U.S. gold futures settled little changed at \$1,928.6.

Source: Reuters Refinitiv

Domestic Markets



The government's benchmark 2030 bond was little changed on Monday, with the yield down 1 basis point at 9.78%. The Johannesburg Stock Exchange's All-share index ended 1.08% higher, mirroring gains in global equities.

The South African rand slipped on Monday as the U.S. dollar edged up on global markets, with investor attention this week pinned on the South African Reserve Bank's first interest rate decision of the year. At 1525 GMT, the rand traded at 17.2050 against the dollar, over 0.4% weaker than its previous close. The dollar was about 0.3% firmer against a basket of major currencies..

The SARB will announce its rate decision on Thursday, with 11 of the 20 economists polled by Reuters predicting a 50 basis point (bps) hike to 7.50%. Eight forecast a 25 bps increase and one no change.

Data last week showed December consumer inflation slowed to 7.2% year-on-year from 7.4% the previous month, in line with analysts' forecasts but still well above the central bank's 3%-6% target range. Most economists polled by Reuters see no further rate hikes after this week.

The rand lost more than 1% against the dollar last week on investor concerns over a power crisis that has led to daily electricity outages this month. On Monday, struggling utility Eskom said in a statement that the outages would remain at "Stage 4" from 4 p.m. local time (1400 GMT) until 5 a.m. and "Stage 3" from 5 a.m. to 4 p.m. the following day until further notice. Almost half of Eskom's 46,000 megawatt (MW) nominal generating capacity is currently offline because of breakdowns or repairs. Stage 4 means up to 4,000 MW of capacity needs to be shed from the national grid, resulting in about six hours of power cuts a day for many households.

Source: Reuters Refinitiv

I can't change the direction of the wind, but I can adjust my sails to always reach my destination.

Jimmy Dean

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				24 January 2023	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	⇒	8.23	0.000	8.23	8.23
6 months	⇒	8.56	0.000	8.56	8.56
9 months	⇒	8.93	0.000	8.93	8.93
12 months	⇒	9.02	0.000	9.02	9.02
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	⇒	9.16	0.000	9.16	9.16
GC24 (Coupon 10.50%, BMK R186)	↓	7.75	-0.015	7.77	7.75
GC25 (Coupon 8.50%, BMK R186)	↓	8.20	-0.015	8.22	8.20
GC26 (Coupon 8.50%, BMK R186)	↓	8.26	-0.015	8.28	8.26
GC27 (Coupon 8.00%, BMK R186)	↓	9.23	-0.015	9.25	9.23
GC30 (Coupon 8.00%, BMK R2030)	↓	11.07	-0.010	11.08	11.08
GC32 (Coupon 9.00%, BMK R213)	↓	11.31	-0.025	11.34	11.32
GC35 (Coupon 9.50%, BMK R209)	↓	12.22	-0.015	12.24	12.23
GC37 (Coupon 9.50%, BMK R2037)	⇒	12.87	0.000	12.87	12.88
GC40 (Coupon 9.80%, BMK R214)	↓	13.30	-0.005	13.31	13.31
GC43 (Coupon 10.00%, BMK R2044)	↑	13.90	0.005	13.90	13.91
GC45 (Coupon 9.85%, BMK R2044)	↑	14.42	0.005	14.42	14.43
GC48 (Coupon 10.00%, BMK R2048)	↑	14.50	0.010	14.49	14.51
GC50 (Coupon 10.25%, BMK: R2048)	↑	14.51	0.010	14.50	14.52
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	⇒	3.08	0.000	3.08	3.25
GI27 (Coupon 4.00%, BMK NCPI)	⇒	3.76	0.000	3.76	3.76
GI29 (Coupon 4.50%, BMK NCPI)	⇒	5.19	0.000	5.19	5.19
GI33 (Coupon 4.50%, BMK NCPI)	⇒	6.40	0.000	6.40	6.40
GI36 (Coupon 4.80%, BMK NCPI)	⇒	6.63	0.000	6.63	6.63
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,931	0.25%	1,927	1,935
Platinum	↑	1,047	0.33%	1,043	1,054
Brent Crude	↑	88.2	0.64%	87.6	88.1
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,799	1.34%	1,775	1,799
JSE All Share	↑	80,129	1.08%	79,270	80,129
SP500	↑	4,020	1.19%	3,973	4,020
FTSE 100	↑	7,785	0.18%	7,771	7,785
Hangseng	⇒	22,045	0.00%	22,045	22,045
DAX	↑	15,103	0.46%	15,034	15,103
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	16,243	1.46%	16,010	16,243
Resources	↑	79,089	1.07%	78,250	79,089
Industrials	↑	101,334	1.01%	100,318	101,334
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	17.17	0.38%	17.10	17.17
N\$/Pound	↑	21.24	0.23%	21.20	21.27
N\$/Euro	↑	18.66	0.53%	18.56	18.68
US dollar/ Euro	↑	1.087	0.12%	1.086	1.088
		Namibia		RSA	
Interest Rates & Inflation		Dec 22	Nov 22	Dec 22	Nov 22
Central Bank Rate	⇒	6.75	6.75	7.00	7.00
Prime Rate	⇒	10.50	10.50	10.50	10.50
		Dec 22	Nov 22	Dec 22	Nov 22
Inflation	↓	6.9	7.0	7.2	7.4

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**



Connect with Capricorn Asset Management on LinkedIn. Scan our QR code and together we can grow your potential!

