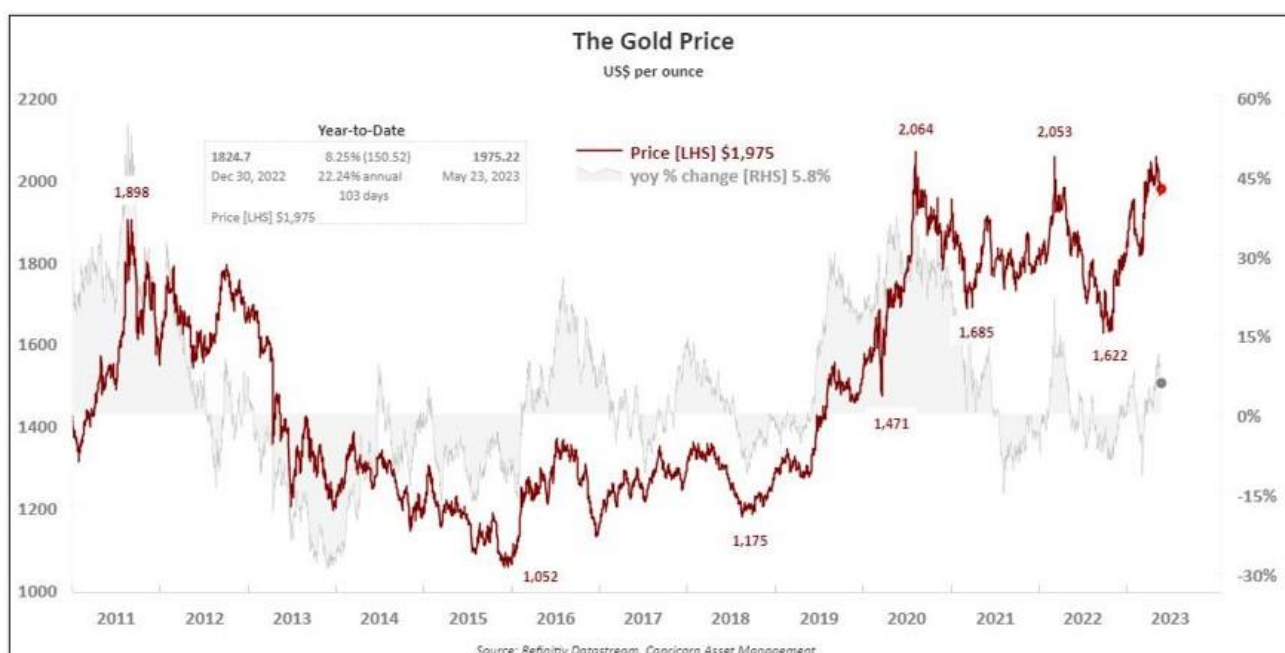




Market Update

Wednesday, 24 May 2023

Global Markets



Asian stocks on Wednesday extended a global sell-off as U.S. debt ceiling negotiations dragged on without resolution, while the New Zealand dollar tumbled after the central bank caught markets off-guard by flagging that its tightening cycle is over.

The U.S. dollar - paradoxically - remained elevated amid safe-haven demand, which was also a driver of Treasuries and pushed yields lower.

Crude gained, though, as a warning from the Saudi energy minister to speculators raised the prospect of further OPEC+ output cuts.

The New Zealand dollar was one of the major movers in the early Asian day. It dropped more than 1% after the Reserve Bank of New Zealand wrong-footed markets by signalling it's done with its policy tightening cycle, after raising it by a quarter point. Market pricing had favoured a half-point hike, and were also primed for an extension of the tightening streak.

Japan's Nikkei sank 1.1%, extending its retreat from a post-bubble-era peak to a second day.

Hong Kong's Hang Seng declined 1.2%, and mainland blue chips slid 0.8%.

MSCI's broadest index of Asia-Pacific shares fell 0.7%.

U.S. equity futures stabilised slightly after sharp declines for the main indexes S&P 500 and the Nasdaq overnight.

Representatives of President Joe Biden and congressional Republicans ended another round of debt ceiling talks on Tuesday with no signs of progress, as the ostensible X-date of June 1 looms large.

Reports that Treasury has asked federal agencies whether they can delay upcoming payments added to the sense of crisis.

"Payment prioritisation is now real," Chris Weston, head of research at brokerage Pepperstone in Melbourne, wrote in a client note.

"And while it seems highly prudent to have this conversation, the markets anxiety levels have heated up consequently," he said. "The market is starting to de-risk."

The U.S. dollar index, which measures the currency against six major peers, was largely unchanged at 103.51, hovering close to a two-month high of 103.63 reached last week.

A small decline against fellow safe haven the yen was largely offset by flat trading versus the euro.

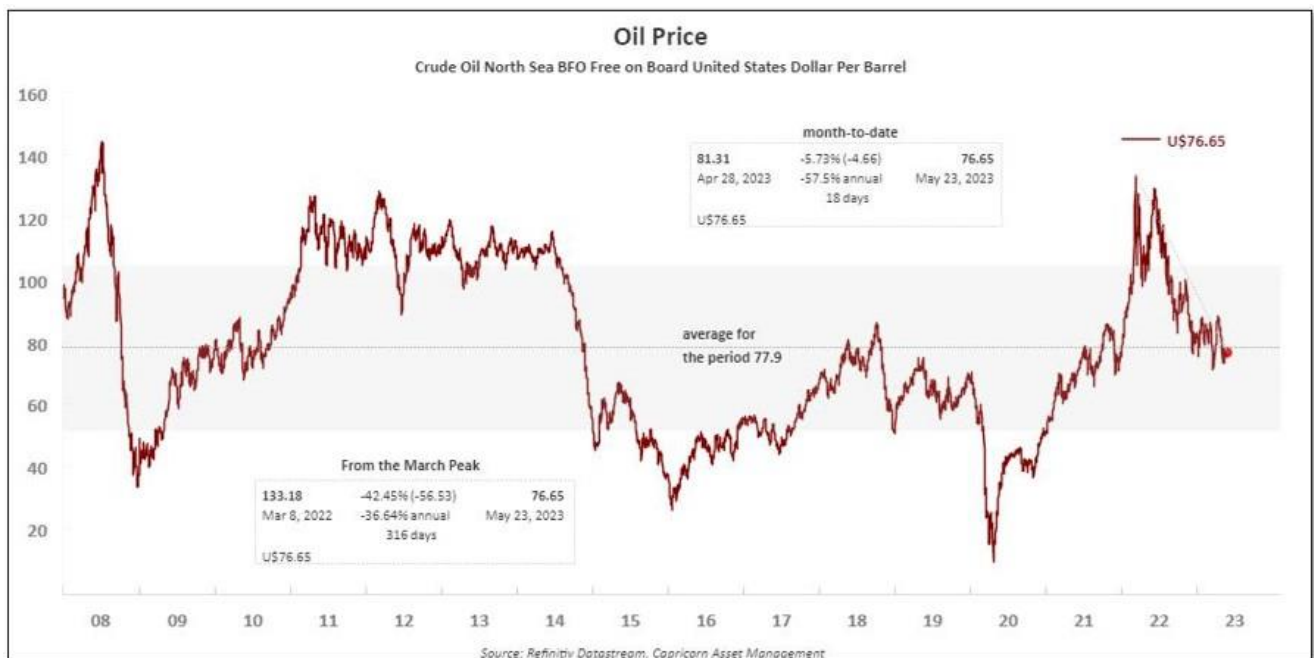
The yen tends to have an inverse correlation to long-term Treasury yields, which ticked down to 3.682% in Tokyo.

In commodities, gold held steady at around \$1,974 as traders eyed debt ceiling talks.

Crude advanced more than 1%, extending similar-sized gains from Tuesday, when Saudi Energy Minister Prince Abdulaziz bin Salman warned speculators to "watch out," saying "they will be ouching."

Brent crude futures rose 86 cents, or 1.1%, to \$77.70 a barrel, while U.S. West Texas Intermediate crude (WTI) gained 88 cents, or 1.2%, to \$73.79 a barrel.

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand was broadly flat on Tuesday, a day after staging a mini-recovery on relief the country's credit rating was not downgraded and bets on a large interest rate hike from the central bank this week.

At 1510 GMT, the rand traded at 19.2075 against the dollar about 0.1% stronger than its previous close. On Monday the rand ended more than 1% stronger, after reaching an all-time low the week before.

Analysts polled by Reuters predict the South African Reserve Bank (SARB) will deliver a 25-basis-point (bp) rate hike on Thursday. But markets are pricing in a bigger increase.

"The rates markets are now pricing in a repo rate that may still rise by a further 150 bp between now and the end of the year," ETM Analytics said in a research note.

"Aggressive, maybe. But the (rand) has stabilised off the back of it, which perhaps gives one a sense of what is expected of the central bank to prevent an outright rout on the (rand)."

Sentiment towards South Africa has been badly affected by the worst rolling blackouts on record, which mean businesses and households are in the dark for up to 10 hours daily.

The rand hit a new record low against the dollar on Friday, but it got a reprieve when ratings agency S&P Global held off from changing South Africa's sovereign credit rating at the end of last week.

Investors will assess the success of the SARB's efforts to bring inflation under control when April consumer inflation figures are released on Wednesday.

Shares on the Johannesburg Stock Exchange closed lower, with the blue-chip Top-40 index down 1.77% and the broader All-share index down 1.56%.

South Africa's benchmark 2030 government bond was little changed, with the yield down 0.5 basis points at 11.245%.

Source: Thomson Reuters Refinitiv

Without craftsmanship, inspiration is a mere reed shaken in the wind.

Johannes Brahms

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				24 May 2023	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↑	8.23	0.017	8.21	8.23
6 months	→	8.96	0.000	8.96	8.96
9 months	↑	9.29	0.017	9.28	9.29
12 months	↑	9.45	0.017	9.44	9.45
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	→	8.30	0.000	8.30	8.30
GC24 (Coupon 10.50%, BMK R186)	↓	9.93	-0.035	9.97	9.92
GC25 (Coupon 8.50%, BMK R186)	↓	10.13	-0.035	10.17	10.12
GC26 (Coupon 8.50%, BMK R186)	↓	9.96	-0.035	10.00	9.95
GC27 (Coupon 8.00%, BMK R186)	↓	10.57	-0.035	10.61	10.56
GC28 (Coupon 8.50%, BMK R2030)	↓	11.05	-0.005	11.05	11.04
GC30 (Coupon 8.00%, BMK R2030)	↓	11.55	-0.005	11.55	11.54
GC32 (Coupon 9.00%, BMK R213)	→	11.87	0.000	11.87	11.87
GC35 (Coupon 9.50%, BMK R209)	↑	12.93	0.020	12.91	12.93
GC37 (Coupon 9.50%, BMK R2037)	↑	13.78	0.020	13.76	13.78
GC40 (Coupon 9.80%, BMK R214)	↑	13.77	0.010	13.76	13.77
GC43 (Coupon 10.00%, BMK R2044)	↑	13.81	0.015	13.80	13.81
GC45 (Coupon 9.85%, BMK R2044)	↑	14.26	0.015	14.25	14.26
GC48 (Coupon 10.00%, BMK R2048)	↑	14.47	0.015	14.46	14.47
GC50 (Coupon 10.25%, BMK: R2048)	↑	14.42	0.015	14.41	14.42
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)	→	3.69	0.000	3.69	3.69
GI29 (Coupon 4.50%, BMK NCPI)	→	5.05	0.000	5.05	5.05
GI33 (Coupon 4.50%, BMK NCPI)	→	6.05	0.000	6.05	6.05
GI36 (Coupon 4.80%, BMK NCPI)	→	6.38	0.000	6.38	6.38
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,975	0.27%	1,969	1,978
Platinum	↓	1,048	-1.80%	1,067	1,052
Brent Crude	↑	76.8	1.12%	76.0	77.7
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,528	-0.42%	1,535	1,528
JSE All Share	↓	76,748	-1.56%	77,963	76,748
SP500	↓	4,146	-1.12%	4,193	4,146
FTSE 100	↓	7,763	-0.10%	7,771	7,763
Hangseng	↓	19,431	-1.25%	19,678	19,247
DAX	↓	16,153	-0.44%	16,224	16,153
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	14,867	-0.47%	14,937	14,867
Resources	↓	68,042	-1.29%	68,928	68,042
Industrials	↓	105,543	-2.32%	108,051	105,543
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	19.20	-0.07%	19.22	19.18
N\$/Pound	↓	23.84	-0.25%	23.90	23.84
N\$/Euro	↓	20.68	-0.45%	20.78	20.66
US dollar/ Euro	↓	1.077	-0.40%	1.081	1.078
		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
		Apr 23	Mar 23	Mar 23	Feb 23
Inflation	↓	6.1	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.



Capricorn Asset Management



Bank Windhoek

For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na

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