



Market Update

Thursday, 24 November 2022



Global Markets

Asian shares tracked Wall Street higher on Thursday, buoyed by signals the U.S. Federal Reserve may slow the pace of interest rate hikes and news of fresh economic stimulus from China, with the dollar failing to recoup losses.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.8% in early trade, boosted by a 0.6% gain in South Korean shares, a 0.5% increase in China's bluechips and a 0.9% jump in Hong Kong's Hang Seng index

Japan's Nikkei surged 1.3%.

S&P 500 futures were up 0.2%, while Nasdaq futures <NQc1> rose 0.3%, after modest gains in U.S. stocks on Wednesday.

On Thursday, Bank of Korea slowed down the pace of tightening to a more modest 25 basis points, joining other central banks that have downshifted away from outsized hikes amid a looming global recession.

Minutes of the U.S. Federal Reserve's last meeting also showed a "substantial majority" of Fed policymakers agreed it would "likely soon be appropriate" to slow the pace of interest rate hikes.

"In all, it is clear from the minutes that FOMC participants are determined to further raise the policy rate in the face of a very tight labour market and unacceptably high inflation," said analysts at Barclays.

"However, the minutes also reveal an emerging divergence of views among members about the peak rate, and uncertainty about the peak rate."

The futures market implies a 76% chance of a rise of 50 basis points to 4.25%-4.5% at the December meeting, while a majority of investors expect the target U.S. federal funds rate will peak above 5% by next May.

U.S. economic data on Wednesday showed jobless claims increased more than expected last week, while business activity contracted for a fifth month in November.

In Japan, data on Thursday showed manufacturing activity contracted at the fastest pace in two years in November.

Meanwhile, in China, COVID cases continued to surge, with the economic toll from mobility restrictions and lockdowns piling up.

China's cabinet on Wednesday flagged the possibility of an upcoming cut to banks' reserve requirement ratio (RRR), pledging new stimulus measures to revive its COVID-battered economy.

The U.S. dollar on Thursday failed to recoup overnight losses of 1% with the index standing at 105.89 against a basket of currencies.

In the oil market, prices are set to test a major support level from September, which if breached could see oil tumbling to levels not seen before late 2021, adding to the evidence that inflation likely has started coming down.

U.S. crude oil futures eased 0.2% to \$77.79 per barrel, after tumbling more than 3% on Wednesday, as the Group of Seven (G7) nations considered a price cap on Russian oil above the current market level.

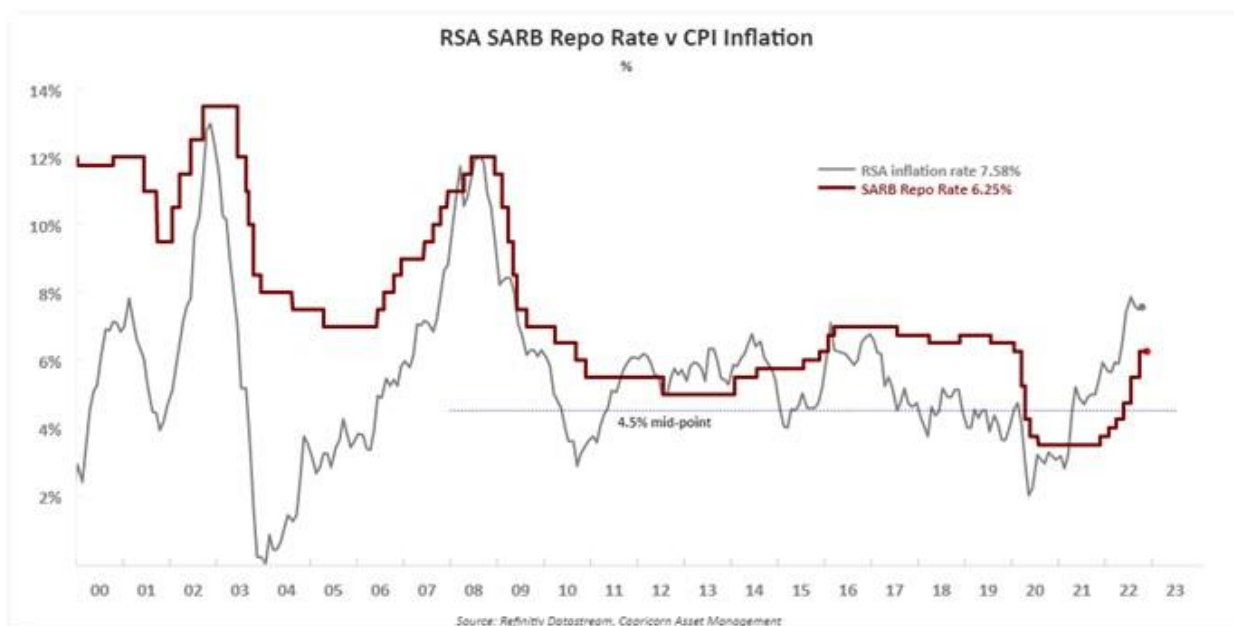
Brent crude futures fell 0.15% to \$85.26.

In the bond market, long-term U.S. Treasuries rallied overnight after the Fed minutes. Yields on 10-year notes dropped to a huge 79-basis-points deficit to two-year yields, a curve inversion on a scale not seen since the dot.com bust of 2000 and, on the face of it, a signal investor expect a deep economic downturn in coming months.

U.S. markets are closed for the Thanksgiving holiday on Thursday.

Source: Reuters Refinitiv

Domestic Markets



South Africa's rand strengthened on Wednesday ahead of a highly anticipated interest rate decision by the South African Reserve Bank (SARB).

At 1545 GMT, the rand was trading at 16.9850, up 1.54% from its previous close.

Earlier in the day, data from Statistics South Africa showed the country's headline consumer inflation quickened to 7.6% year-on-year in October, from 7.5% in September.

Analysts polled by Reuters had expected headline inflation to dip to 7.4% in annual terms.

The uptick in inflation is likely to give impetus to the SARB's hawkish stance at its final meeting of the year on Thursday. A Reuters poll forecast last week that the central bank would hike its repo rate another 75 basis points to 7%.

"The higher inflation print provides further support to a 75 basis point hike by the South African central bank, which will look to keep pace with that of its global peers," said Shaun Murison, senior market analyst at IG.

Shares on the Johannesburg Stock Exchange rose, with the Top-40 index closing up 1.01% and the broader all-share index ending 0.9% higher.

The government's benchmark 2030 bond was stronger, with the yield down 9 basis points at 10.195%.

Source: Reuters Refinitiv

The essence of all beautiful art, all great art, is gratitude.

Friedrich Nietzsche

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)		24 November 2022			
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↑	7.48	0.016	7.47	7.48
6 months	⇒	7.59	0.000	7.59	7.59
9 months	⇒	8.15	0.000	8.15	8.15
12 months	↓	8.35	-0.033	8.38	8.35
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	↓	8.99	-0.020	9.01	8.98
GC24 (Coupon 10.50%, BMK R186)	↑	8.17	0.005	8.16	8.10
GC25 (Coupon 8.50%, BMK R186)	↑	8.62	0.005	8.61	8.55
GC26 (Coupon 8.50%, BMK R186)	↑	8.68	0.005	8.67	8.61
GC27 (Coupon 8.00%, BMK R186)	↑	9.65	0.005	9.64	9.58
GC30 (Coupon 8.00%, BMK R2030)	↓	11.51	-0.075	11.59	11.45
GC32 (Coupon 9.00%, BMK R213)	↓	11.68	-0.095	11.78	11.63
GC35 (Coupon 9.50%, BMK R209)	↓	12.37	-0.095	12.46	12.30
GC37 (Coupon 9.50%, BMK R2037)	↓	12.98	-0.090	13.07	12.92
GC40 (Coupon 9.80%, BMK R214)	↓	13.28	-0.105	13.39	13.22
GC43 (Coupon 10.00%, BMK R2044)	↓	13.82	-0.105	13.93	13.76
GC45 (Coupon 9.85%, BMK R2044)	↓	14.34	-0.105	14.45	14.28
GC48 (Coupon 10.00%, BMK R2048)	↓	14.47	-0.110	14.58	14.41
GC50 (Coupon 10.25%, BMK: R2048)	↓	14.48	-0.110	14.59	14.42
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	⇒	2.80	0.000	2.80	2.80
GI27 (Coupon 4.00%, BMK NCPI)	⇒	3.65	0.000	3.65	3.65
GI29 (Coupon 4.50%, BMK NCPI)	⇒	5.20	0.000	5.20	5.20
GI33 (Coupon 4.50%, BMK NCPI)	⇒	5.93	0.000	5.93	5.93
GI36 (Coupon 4.80%, BMK NCPI)	⇒	6.90	0.000	6.90	6.90
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,749	0.52%	1,740	1,754
Platinum	↑	996	0.56%	991	994
Brent Crude	↓	85.4	-3.34%	88.4	85.0
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,694	1.37%	1,671	1,694
JSE All Share	↑	72,891	0.90%	72,242	72,891
SP500	↑	4,027	0.59%	4,004	4,027
FTSE 100	↑	7,465	0.17%	7,453	7,465
Hangseng	↑	17,524	0.57%	17,424	17,632
DAX	↑	14,428	0.04%	14,422	14,428
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	16,381	0.35%	16,324	16,381
Resources	↑	71,050	1.85%	69,761	71,050
Industrials	↑	87,015	0.72%	86,390	87,015
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	16.97	-1.49%	17.22	16.92
N\$/Pound	↓	20.45	-0.09%	20.47	20.46
N\$/Euro	↓	17.64	-0.60%	17.74	17.65
US dollar/ Euro	↑	1.040	0.90%	1.030	1.044
		Namibia		RSA	
Interest Rates & Inflation		Oct 22	Sep 22	Oct 22	Sep 22
Central Bank Rate	↑	6.25	5.50	6.25	6.25
Prime Rate	↑	10.00	9.25	9.75	9.75
		Oct 22	Sep 22	Oct 22	Sep 22
Inflation	⇒	7.1	7.1	7.6	7.5

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.



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