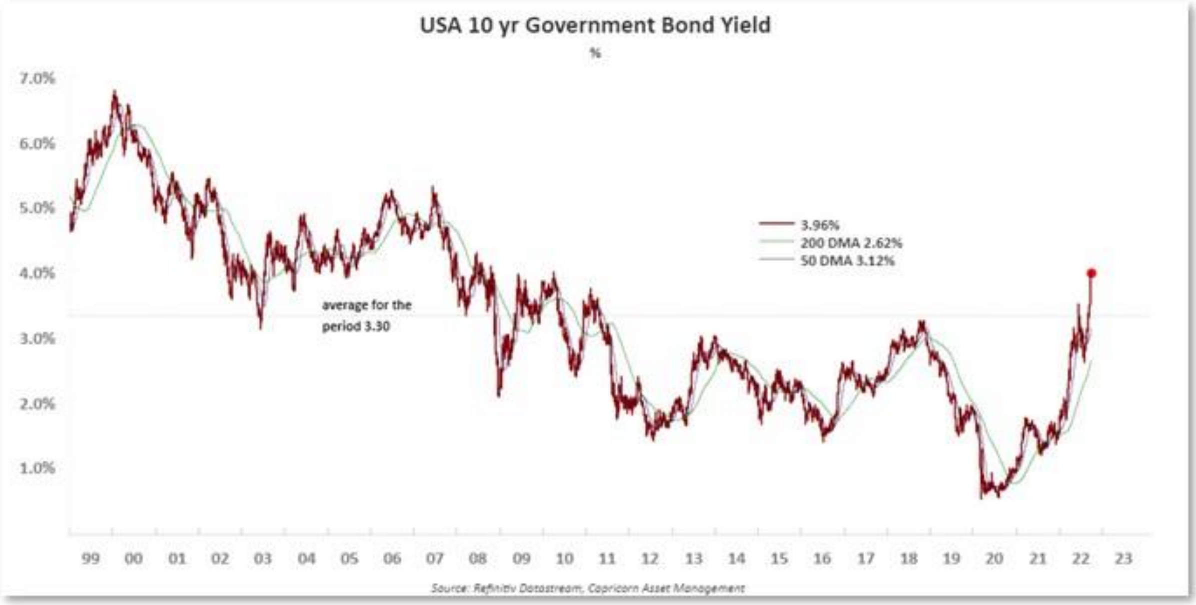
Market Update Wednesday, 28 September 2022



Global Markets

Asian share markets sank on Wednesday as surging borrowing costs intensified fears of a global recession, spooking investors into the arms of the safe-haven dollar and punishing currencies across the region.

Yields on U.S. 10-year Treasuries were shoved above 4.0% for the first time since 2010 as markets wagered the Federal Reserve might have to take rates past 4.5% in its crusade against inflation.

Sterling also came under renewed pressure as Moody's warned that unfunded UK tax cuts would be "negative" for the country's credit standing, deepening a damaging selloff in gilts.

"It is now clear that central banks in advanced economies will make the current tightening cycle the most aggressive in three decades," said Jennifer McKeown, head of global economics at Capital Economics.

"While this may be necessary to tame inflation, it will come at a significant economic cost.

"In short, we think the next year will look like a global recession, feel like a global recession, and maybe even quack like one, so that's what we're now calling it."

Surging rates and slowing growth is not a good mix for equities and MSCI's broadest index of Asia-Pacific shares outside Japan fell 2.0% to its lowest since April 2020.

Japan's Nikkei shed 2.2% and South Korean stocks fell 2.9% to a two-year low. Chinese blue chips lost 1.2%.

S&P 500 futures got caught in the bearish mood and slipped 0.6%, while Nasdaq futures dropped 0.9%. This would be the S&P 500's seventh session of losses and threaten the technically-important 200-week average at 3,590.

EUROSTOXX 50 futures fell 1.1%, as did FTSE futures as European borrowing costs blew out.

"European sovereign yields have soared to multi-year highs amid concerns about UK policy-making and a right-ward shift of Italian politics in the midst of still elevated inflation," wrote analysts at JPMorgan in a note.

"The Italian 10-year spread to the German Bund has eclipsed 250bp, well above the 200bp mark we believe makes the ECB uncomfortable."

Shaking investor confidence has been the collapse in sterling and UK bond prices, which could force some fund managers to sell other assets to cover losses.

Underlining the risk of yet higher interest rates, the chief economist at the Bank of England said the tax cuts would likely require a "significant policy response".

Moody's on Tuesday warned the UK government that large unfunded tax cuts were "credit negative" and could undermine the government's fiscal credibility.

MORE RISK PREMIUM, PLEASE

George Saravelos, global head of FX strategy at Deutsche Bank Research, said investors now wanted more to finance the country's deficits, including a 200-basis-point rate hike by November and a terminal rate up at 6%.

"This is the level of risk premium that the market now demands to stabilize the currency," said Saravelos. "If this isn't delivered, it risks further currency weakening, further imported inflation, and further tightening, a vicious cycle."

Sterling was under fire again at $1.0656, with its bounce from Monday's record trough of $1.0327 stopping far short of the $1.1300 level held before last week's UK Budget.

Yields on British 10-year gilts have risen a staggering 119 basis points in just four sessions to reach 4.50%, the sharpest such move since at least 1979.

The safe-haven dollar has been a major beneficiary from the rout in sterling, rising to a fresh 20-year peak of 114.680 against a basket of currencies.

The dollar held at 144.70 yen, testing the resolve of the Japanese authorities to protect the 145.00 level after last week's intervention.

The euro slipped anew to $0.9552 and back toward last week's two-decade low of $0.9528.

The dollar also touched a record high on the offshore-traded Chinese yuan at 7.2387, having risen for eight straight sessions.

The mounting pressure on emerging market currencies from the dollar's rise is in turn adding to risks that those countries will have to keep lifting interest rates and undermine growth.

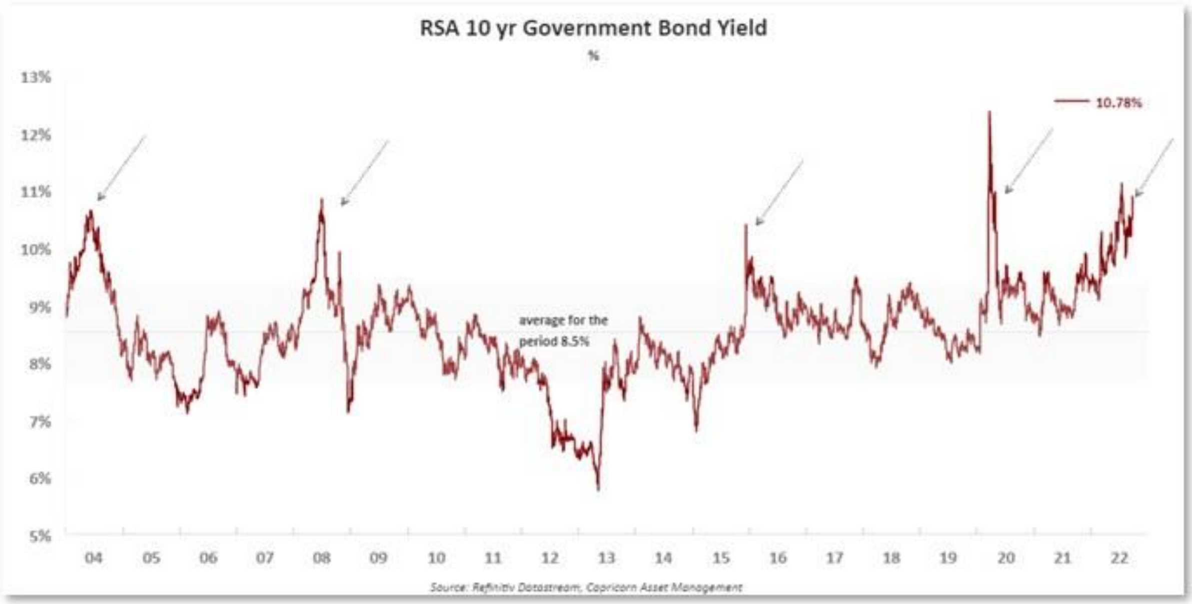
The ascent of the dollar and bond yields has also been a drag for gold, which was hovering at $1,624 an ounce after hitting lows not seen since April 2020.

Oil prices fell again as demand worries and the strong dollar offset support from U.S. production cuts caused by Hurricane Ian.

Brent fell $1.17 to $85.03 a barrel, while U.S. crude lost $1.10 cents to $77.40 per barrel.

Source: Thomson Reuters Refinitiv

Domestic Markets



South Africa's rand slumped to a 28-month low on Monday, tracking other weakening emerging market currencies as safe-haven U.S. dollar continued its ascendancy against a basket of major peers. At 1602 GMT, the risk-sensitive rand traded at 18.1000 against the dollar, 0.74% weaker than its previous close. It hit 18.1150 earlier in the day, its lowest since May 2020. Like most emerging market currencies, the rand is highly susceptible to global drivers such as the U.S. monetary policy.

The dollar index, helped by the British pound's decline and a fresh 20-year low for the euro, was last up 0.84% at 114.08. "The increase in the hawkish tone of the FOMC last week caused risk assets to weaken further, including EM currencies, and so (did) the rand as markets factor in a higher U.S. interest rate trajectory, for longer, in the face of crumbling global growth," Investec analyst Annabel Bishop wrote in a research note.

Shares on the Johannesburg Stock Exchange rose, boosted by tech and consumer discretionary stocks, recovering from steep falls triggered by the South African Reserve Bank's (SARB) interest rate hike. The SARB delivered another big rate hike last week, following other central banks, taking its main lending rate close to pre-COVID levels. This sent major stock indexes, especially consumer-oriented ones, tumbling as the hike added to the high cost of living. South Africa's largest food producer Tiger Brands led the gainers on Monday, ending 10.43% higher after reporting it expected annual profits to rise despite recall costs.

Overall on the stock market, the Top-40 and the broader all-share indexes both closed up over 0.3%.

The government's benchmark 2030 bond fell, with the yield up 10.5 basis points to 10.875%.

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	612,724,171	2,651,894	6,517,123	8,166

Source: Thomson Reuters Refinitiv

There are people who have money and people who are rich.

Coco Chanel

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)					28 September 2022
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months		7.27	0.000	7.27	7.27
6 months		7.41	0.008	7.40	7.41
9 months		8.21	0.025	8.18	8.21
12 months		8.65	0.075	8.58	8.65
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)		8.89	-0.100	8.99	8.89
GC24 (Coupon 10.50%, BMK R186)		8.86	-0.075	8.94	8.90
GC25 (Coupon 8.50%, BMK R186)		9.31	-0.075	9.39	9.35
GC26 (Coupon 8.50%, BMK R186)		9.37	-0.075	9.45	9.41
GC27 (Coupon 8.00%, BMK R186)		10.34	-0.075	10.42	10.38
GC30 (Coupon 8.00%, BMK R2030)		12.06	-0.105	12.17	12.14
GC32 (Coupon 9.00%, BMK R213)		12.22	-0.095	12.32	12.30
GC35 (Coupon 9.50%, BMK R209)		12.76	-0.080	12.84	12.83
GC37 (Coupon 9.50%, BMK R2037)		13.35	-0.080	13.43	13.42
GC40 (Coupon 9.80%, BMK R214)		13.69	-0.080	13.77	13.76
GC43 (Coupon 10.00%, BMK R2044)		14.21	-0.080	14.29	14.29
GC45 (Coupon 9.85%, BMK R2044)		14.73	-0.080	14.81	14.81
GC48 (Coupon 10.00%, BMK R2048)		14.89	-0.080	14.97	14.96
GC50 (Coupon 10.25%, BMK: R2048)		14.90	-0.080	14.98	14.97
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)		3.50	0.000	3.50	3.50
GI29 (Coupon 4.50%, BMK NCPI)		4.80	0.000	4.80	4.80
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		1,629	0.45%	1,622	1,622
Platinum		848	-0.43%	852	838
Brent Crude		86.3	2.63%	84.1	85.2
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index		1,429	1.07%	1,414	1,429
JSE All Share		64,026	0.63%	63,626	64,026
SP500		3,647	-0.21%	3,655	3,647
FTSE 100		6,985	-0.52%	7,021	6,985
Hangseng		17,860	0.03%	17,855	17,392
DAX		12,140	-0.72%	12,228	12,140
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials		14,209	1.62%	13,982	14,209
Resources		56,997	1.39%	56,215	56,997
Industrials		79,272	-0.32%	79,529	79,272
Forex		Last close	Change	Prev close	Current Spot
N$/US dollar		18.00	-0.50%	18.09	18.13
N$/Pound		19.32	-0.07%	19.33	19.35
N$/Euro		17.27	-0.65%	17.38	17.33
US dollar/ Euro		0.959	-0.15%	0.961	0.956
		Namibia		RSA	
Interest Rates & Inflation		Aug 22	Jul 22	Sep 22	Aug 22
Central Bank Rate		5.50	4.75	6.25	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 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.

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