

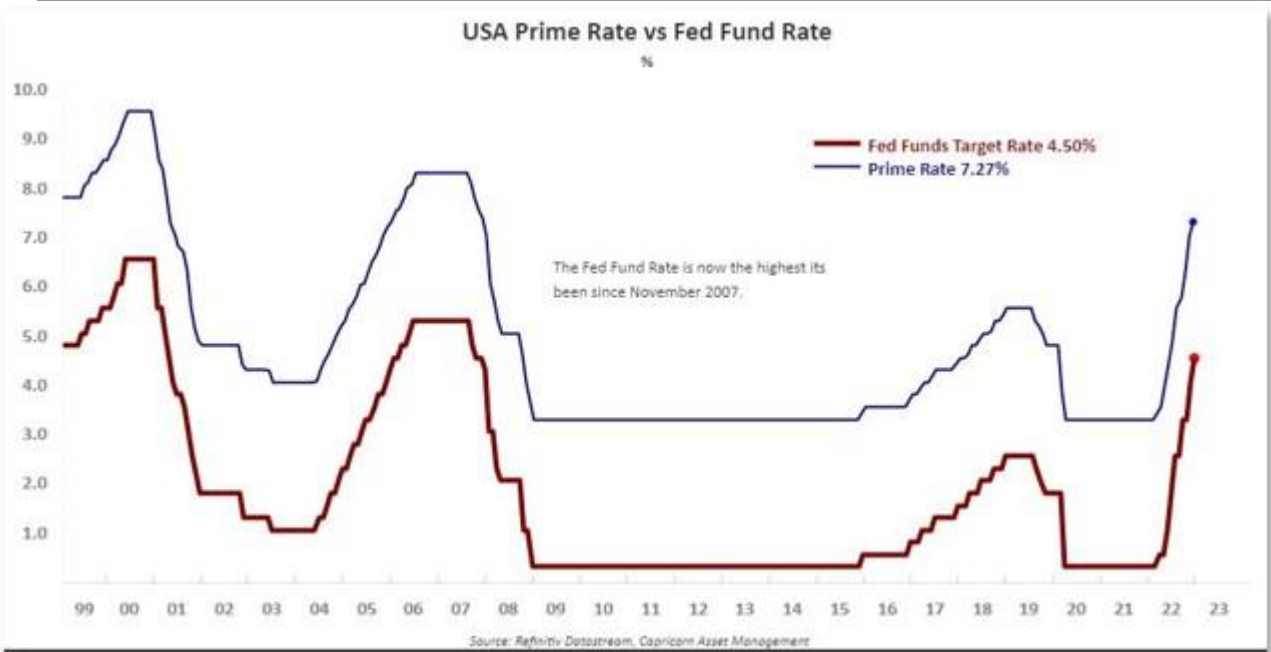


The Daily Brief

 Capricorn Asset Management

Market Update

Tuesday, 31 January 2023



Global Markets

Asian shares traded cautiously and bonds nursed small losses on Tuesday as investors braced for an eventful week that includes central bank meetings, a slew of earnings reports and key U.S. economic data.

Investors broadly expect the U.S. Federal Reserve will raise interest rates by 25 basis points (bps) on Wednesday. Rate announcements are due on Thursday from both the Bank of England and the European Central Bank - and both are expected to hike rates by 50 bps.

Meanwhile, more than 100 S&P 500 companies including Apple, Amazon.com and Google parent Alphabet are expected to report results this week, which also will see the publication of closely watched U.S. employment numbers.

"It's a big week for both central banks and U.S. equities, with ... some of the household names due to make earnings announcements that will provide a micro overview of the macro economy," ANZ analysts said in a note.

"We expect a 25 bps (U.S.) rate rise and anticipate that the Fed will caution against an early pause in the tightening cycle ... Risk appetite could be vulnerable to a correction."

Early in the Asian trading day, MSCI's broadest index of Asia-Pacific shares outside Japan was down 0.1%. U.S. stock futures, the S&P 500 e-minis, rose 0.1%.

Japan's Nikkei stock index slid 0.1% while Australian shares were up 0.2%.

China's blue-chip CSI300 index remained flat in early trade. Hong Kong's Hang Seng index opened up 0.4%.

On Monday, U.S. stocks lost ground with the major indexes sinking, weighed down by declines in technology and other giant corporations' shares.

The Dow Jones Industrial Average fell 0.8% to 33,717.09, the S&P 500 lost 1.3% to 4,017.77 and the Nasdaq Composite dropped 2.0% to 11,393.81.

Despite Monday's declines, the S&P 500 remained on track to post its biggest January gain since 2019.

At the end of the Fed's two-day policy meeting on Wednesday investors will be glued to Chair Jerome Powell's news conference for clues on whether the rate-hiking cycle may be coming to a close, and for signs of how long rates could stay elevated.

Markets will also grapple with a flood of U.S. economic data, culminating in Friday's payrolls report for January. Investors see signs of weakening in the labour market as a key factor in bringing down high inflation.

U.S. Treasury yields remained firm ahead of the central bank meetings and economic data, with the yield on benchmark 10-year Treasury notes US10YT=RR standing at 3.5384% compared with its U.S. close of 3.551% on Monday.

The two-year yield, which rises with traders' expectations of higher Fed fund rates, touched 4.2402% compared with a U.S. close of 4.261%.

In currencies, the U.S. dollar, which was poised for its fourth month of declines, was down at 102.19 against a basket of other major currencies.

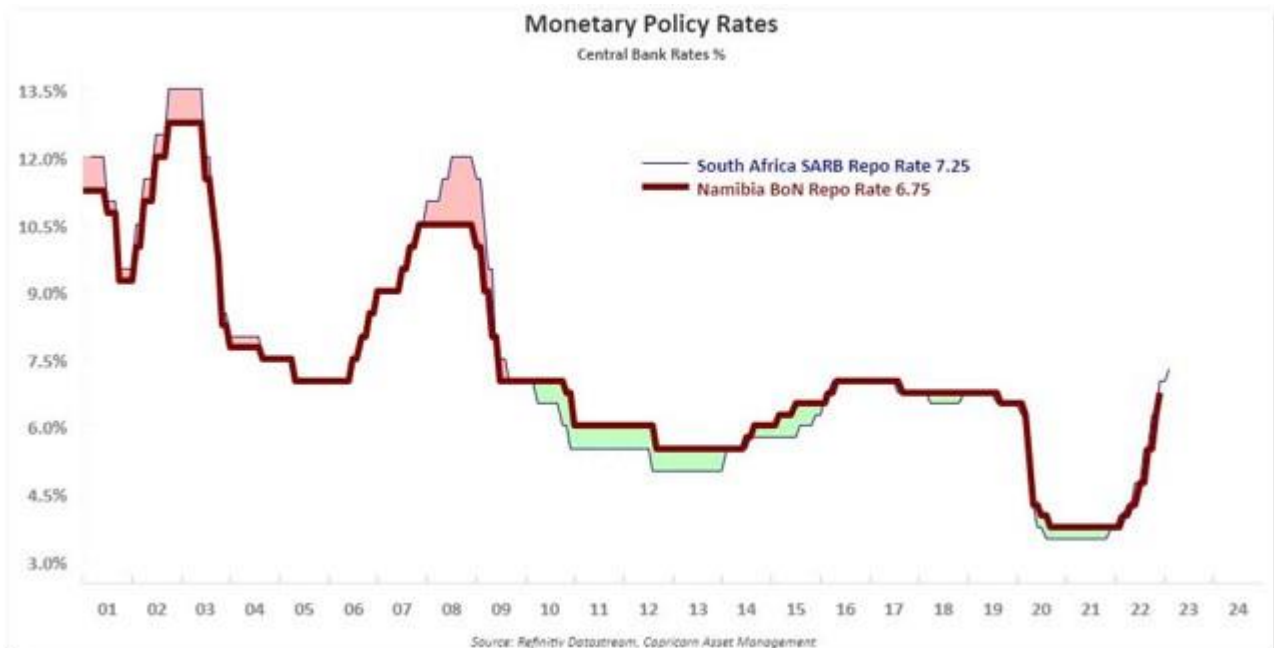
The European single currency was up 0.1% on the day at \$1.0852, having gained 1.4% in a month. In the energy market, oil prices fell on Monday ahead of the expected hikes by central banks and signals of strong Russian exports.

U.S. crude ticked up 0.2% to \$78.02 a barrel while Brent crude settled at \$84.9 per barrel early in the Asia session.

Gold was slightly higher. Spot gold was traded at \$1922.91 per ounce.

Source: Reuters Refinitiv

Domestic Markets



The JSE lost 0.6% on Monday as tech heavyweights Naspers (-5.2%) and Prosus (-6.1%) weighed on the market. The two combined to take 585 points off the Top40, without which the index would have closed up after a late recovery in the financial and resource sectors, and a solid performance from the consumer sectors.

President Cyril Ramaphosa said there is broad agreement in the ruling party to declare a state of disaster over the country's energy crisis. He said the party resolved that load-shedding should be resolved in a much shorter time frame than what has been projected. "A set of actions has been set out to achieve that objective," he said. He added that they discussed a national state of disaster, similar to what the government did when the country faced the Covid-19 pandemic. "There is broad agreement that we should move in that direction," Ramaphosa said to applause from the crowd.

With the ANC government mulling a declaration of a state of disaster around the country's energy crisis, the ZAR blew out to the current 17.4204/USD, its worst level since 6 January. Bonds weakened with the R2030 yield off its recent lows, up 4bps.

The US Federal Reserve's policy meeting on Wednesday will be the main event given its central role in setting the pace for the central banks, particularly emerging markets such as SA.

Source: Reuters Refinitiv

It's so fine and yet so terrible to stand in front of a blank canvas.

Paul Cezanne

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				31 January 2023	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↓	8.33	-0.034	8.37	8.33
6 months	→	8.57	0.000	8.57	8.57
9 months	↓	8.95	-0.025	8.98	8.95
12 months	↓	9.02	-0.008	9.03	9.02
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	↓	9.27	-0.095	9.37	9.26
GC24 (Coupon 10.50%, BMK R186)	↑	7.64	0.015	7.63	7.65
GC25 (Coupon 8.50%, BMK R186)	↑	8.09	0.015	8.08	8.10
GC26 (Coupon 8.50%, BMK R186)	↑	8.15	0.015	8.14	8.16
GC27 (Coupon 8.00%, BMK R186)	↑	9.12	0.015	9.11	9.13
GC30 (Coupon 8.00%, BMK R2030)	↑	10.98	0.025	10.96	11.00
GC32 (Coupon 9.00%, BMK R213)	↑	11.22	0.020	11.20	11.25
GC35 (Coupon 9.50%, BMK R209)	↑	12.17	0.030	12.14	12.19
GC37 (Coupon 9.50%, BMK R2037)	↑	12.83	0.030	12.80	12.85
GC40 (Coupon 9.80%, BMK R214)	↑	13.24	0.035	13.21	13.26
GC43 (Coupon 10.00%, BMK R2044)	↑	13.85	0.050	13.80	13.85
GC45 (Coupon 9.85%, BMK R2044)	↑	14.37	0.050	14.32	14.37
GC48 (Coupon 10.00%, BMK R2048)	↑	14.46	0.045	14.42	14.48
GC50 (Coupon 10.25%, BMK: R2048)	↑	14.47	0.045	14.43	14.49
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	→	3.25	0.000	3.25	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	6.58
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,923	-0.25%	1,927	1,920
Platinum	↓	1,009	-0.32%	1,012	1,004
Brent Crude	↓	84.9	-2.03%	86.7	84.9
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,805	0.21%	1,801	1,805
JSE All Share	↓	80,325	-0.58%	80,791	80,325
SP500	↓	4,018	-1.30%	4,071	4,018
FTSE 100	↑	7,785	0.25%	7,765	7,785
Hangseng	↓	22,070	-2.73%	22,689	21,787
DAX	↓	15,126	-0.16%	15,150	15,126
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	16,323	0.26%	16,281	16,323
Resources	↑	77,934	0.08%	77,871	77,934
Industrials	↓	102,701	-1.13%	103,872	102,701
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	17.33	0.88%	17.18	17.33
N\$/Pound	↑	21.41	0.51%	21.30	21.39
N\$/Euro	↑	18.80	0.67%	18.67	18.79
US dollar/ Euro	↓	1.084	-0.21%	1.087	1.084
Interest Rates & Inflation		Namibia		RSA	
		Dec 22	Nov 22	Jan 23	Dec 22
Central Bank Rate	→	6.75	6.75	7.25	7.00
Prime Rate	→	10.50	10.50	10.75	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.



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