



## Market Update

Monday, 4 July 2022



## Global Markets

Global share markets started haphazardly on Monday as soft U.S. data suggested downside risks for this week's June payrolls report, while the hubbub over possible recession was still driving a relief rally in government bonds. The search for safety kept the U.S. dollar near 20-year highs, though early action was light with U.S. markets on holiday.

Cash Treasuries were shut but futures extended their gains, implying 10-year yields were holding around 2.88% having fallen 61 basis points from their June peak. MSCI's broadest index of Asia-Pacific shares outside Japan was flat, after losing 1.8% last week. Japan's Nikkei added 0.6%, while South Korea fell 0.8%. Chinese blue chips edged up 0.3%, though cities in eastern China tightened COVID-19 curbs on Sunday amid new coronavirus clusters. EUROSTOXX 50 futures added 0.5% and FTSE futures 0.8%. However, both S&P 500 futures and Nasdaq futures eased 0.7%, after steadying just a little on Friday.

David J. Kostin, an analyst at Goldman Sachs, noted that every S&P 500 sector bar energy saw negative returns in the first half of the year amid extreme volatility. "The current bear market has been entirely valuation-driven rather than the result of reduced earnings estimates," he added. "However, we expect consensus profit margin forecasts to fall which will lead to downward EPS revisions whether or not the economy falls into recession." Earnings season starts on July 15 and expectations are being marked lower given high costs and softening data.

The Atlanta Federal Reserve's much watched GDP Now forecast has slid to an annualised -2.1% for the second quarter, implying the country was already in a technical recession.

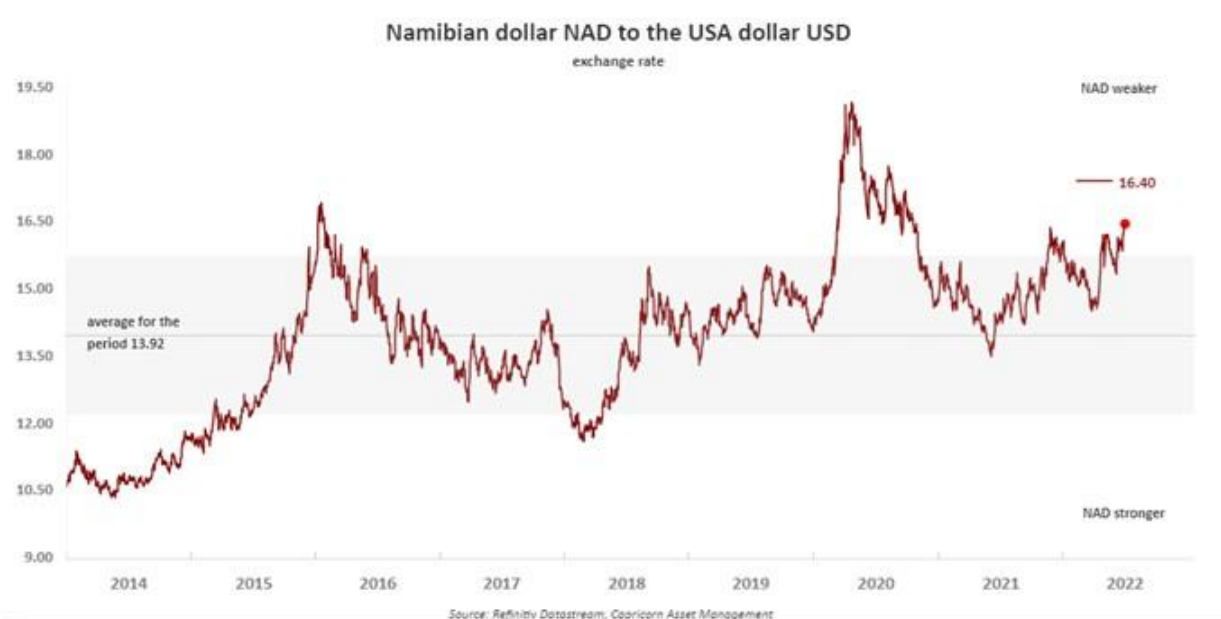
The payrolls report on Friday is forecast to show jobs growth slowing to 270,000 in June with average earnings slowing a touch to 5.0%.

Yet minutes of the Fed's June policy meeting on Wednesday are almost certain to sound hawkish given the committee chose to hike rates by a super-sized 75 basis points. The market is pricing in around an 85% chance of another hike of 75 basis points this month and rates at 3.25-3.5% by year-end. "But the market has also moved to price in an increasingly aggressive rate cut profile for the Fed into 2023 and 2024, consistent with a growing chance of recession," noted analysts at NAB. "Around 60bps of Fed cuts are now priced in for 2023."

In currencies, investor demand for the most liquid safe harbour has tended to benefit the U.S. dollar, which is near two-decade highs against a basket of competitors at 105.10. The euro was flat at \$1.0429 and not far from its recent five-year trough of \$1.0349. The European Central Bank is expected to raise interest rates this month for the first time in a decade, and the euro could get a lift if it decides on a more aggressive half-point move. The Japanese yen also attracted some safe haven flows late last week, dragging the dollar back to 135.23 yen from a 24-year top of 137.01.

A high dollar and rising interest rates have not been kind to non-yielding gold, which was pinned at \$1,812 an ounce having hit a six-month low last week. Fears of a global economic downturn also undermined industrial metals with copper hitting a 17-month low having sunk 25% from its March peak. Oil prices wobbled as investors weighed demand concerns against supply constraints. Output restrictions in Libya and a planned strike among Norwegian oil and gas workers were just the latest blows to production. Brent slipped 1 cent to \$111.62, while U.S. crude eased 10 cents to \$108.33 per barrel.

## Domestic Markets



South Africa's rand weakened again on Friday, as the dollar rose, boosted by pessimism about the outlook for the global economy.

At 1532 GMT, the rand traded at 16.4150 against the dollar, 0.89% lower than its previous close. The rand touched 16.4700 on Thursday, its lowest since October 2020. The dollar index  $\text{=USD}$ , which measures the greenback against six counterparts, was up around 0.6%, as investors turned towards the safe-haven currency amid economic uncertainty.

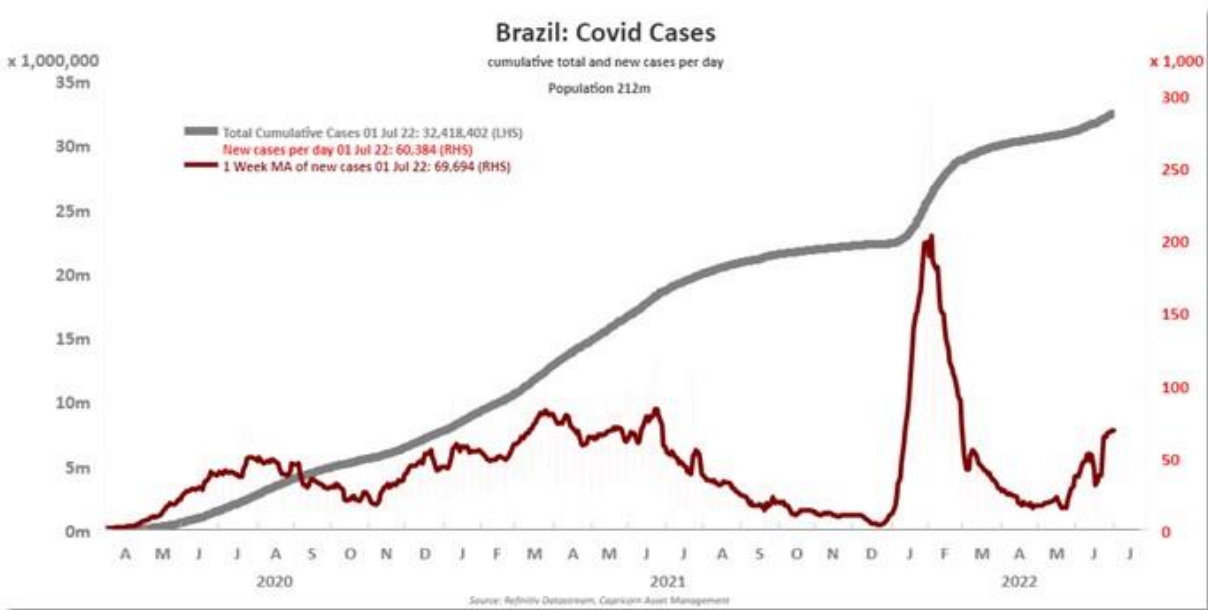
Investec analyst Annabel Bishop said in a research note that the rand will see further market weakness if power cuts persist in the second half of the year. "South Africa sees economic growth at risk this year from the recent severe load shedding regime implemented at stage 6, even though it fluctuates to stage 4 intermittently," Bishop said, adding that the outcome for 2022 GDP would depend on how long the country experiences severe outages. State power utility Eskom extended power cuts on Thursday and Friday, citing a labour strike as the cause of the worst power cuts the country has seen in more than two years.

On the Johannesburg Stock Exchange, the Top-40 index closed down 0.78% while the broader all-share dropped 0.85%. New vehicle sales rose 7.6% year-on-year in June, data showed on Friday, while separately the Absa Purchasing Managers' Index (PMI) expanded at a slower pace due to waning domestic demand and activity during the month.

The government's benchmark 2030 bond was higher, with the yield down 1.3 basis points to 10.425%.

# Corona Tracker

Name	Cases - cumulative total	Cases - newly reported in last 7 days	Deaths - cumulative total	Deaths - newly reported in last 7 days
Global	545,226,550	4,957,783	6,334,728	9,410



What really matters is what you do with what you have.

H. G. Wells

## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				04 July 2022	
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	↑	5.45	0.042	5.41	5.45
6 months	↑	6.16	0.025	6.13	6.16
9 months	↑	7.13	0.025	7.11	7.13
12 months	↑	7.58	0.033	7.54	7.58
<b>Nominal Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC23 (Coupon 8.85%, BMK R2023)	↑	8.05	0.455	7.59	8.13
GC24 (Coupon 10.50%, BMK R186)	↓	8.27	-0.085	8.36	8.30
GC25 (Coupon 8.50%, BMK R186)	↓	8.72	-0.085	8.81	8.75
GC26 (Coupon 8.50%, BMK R186)	↓	8.78	-0.085	8.87	8.81
GC27 (Coupon 8.00%, BMK R186)	↓	9.75	-0.085	9.84	9.78
GC30 (Coupon 8.00%, BMK R2030)	↓	11.72	-0.110	11.83	11.74
GC32 (Coupon 9.00%, BMK R213)	↓	11.83	-0.130	11.96	11.76
GC35 (Coupon 9.50%, BMK R209)	↓	12.46	-0.080	12.54	12.48
GC37 (Coupon 9.50%, BMK R2037)	↓	13.06	-0.085	13.15	13.09
GC40 (Coupon 9.80%, BMK R214)	↓	13.51	-0.080	13.59	13.52
GC43 (Coupon 10.00%, BMK R2044)	↓	13.97	-0.075	14.05	13.97
GC45 (Coupon 9.85%, BMK R2044)	↓	14.49	-0.075	14.57	14.49
GC48 (Coupon 10.00%, BMK R2048)	↓	14.66	-0.085	14.75	14.68
GC50 (Coupon 10.25%, BMK: R2048)	↓	14.67	-0.085	14.76	14.69
<b>Inflation-Linked Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GI22 (Coupon 3.55%, BMK NCPI)	↔	3.55	0.000	3.55	3.55
GI25 (Coupon 3.80%, BMK NCPI)	↔	3.94	0.000	3.94	3.94
GI27 (Coupon 4.00%, BMK NCPI)	↔	4.99	0.000	4.99	4.99
GI29 (Coupon 4.50%, BMK NCPI)	↔	4.91	0.000	4.91	4.91
GI33 (Coupon 4.50%, BMK NCPI)	↔	6.69	0.000	6.69	6.69
GI36 (Coupon 4.80%, BMK NCPI)	↔	7.63	0.000	7.63	7.63
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↑	1,810	0.18%	1,807	1,811
Platinum	↓	889	-0.54%	894	888
Brent Crude	↓	111.6	-2.77%	114.8	112.2
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	↓	1,463	-2.47%	1,500	1,463
JSE All Share	↓	65,662	-0.85%	66,223	65,662
SP500	↑	3,825	1.06%	3,785	3,825
FTSE 100	↓	7,169	-0.01%	7,169	7,169
Hangseng	↔	21,860	0.00%	21,860	21,773
DAX	↑	12,813	0.23%	12,784	12,813
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↓	14,564	-0.83%	14,686	14,564
Resources	↓	61,245	-3.93%	63,748	61,245
Industrials	↑	80,264	1.08%	79,405	80,264
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↑	16.33	0.48%	16.26	16.33
N\$/Pound	↓	19.75	-0.18%	19.79	19.76
N\$/Euro	↓	17.03	-0.03%	17.04	17.03
US dollar/ Euro	↓	1.043	-0.52%	1.048	1.043
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>Jun 22</b>	<b>May 22</b>	<b>Jun 22</b>	<b>May 22</b>
Central Bank Rate	↑	4.75	4.25	4.75	4.75
Prime Rate	↑	8.50	8.00	8.25	8.25
		<b>May 22</b>	<b>Apr 22</b>	<b>May 22</b>	<b>Apr 22</b>
Inflation	↓	5.4	5.6	6.5	5.9

**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](mailto: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!

