

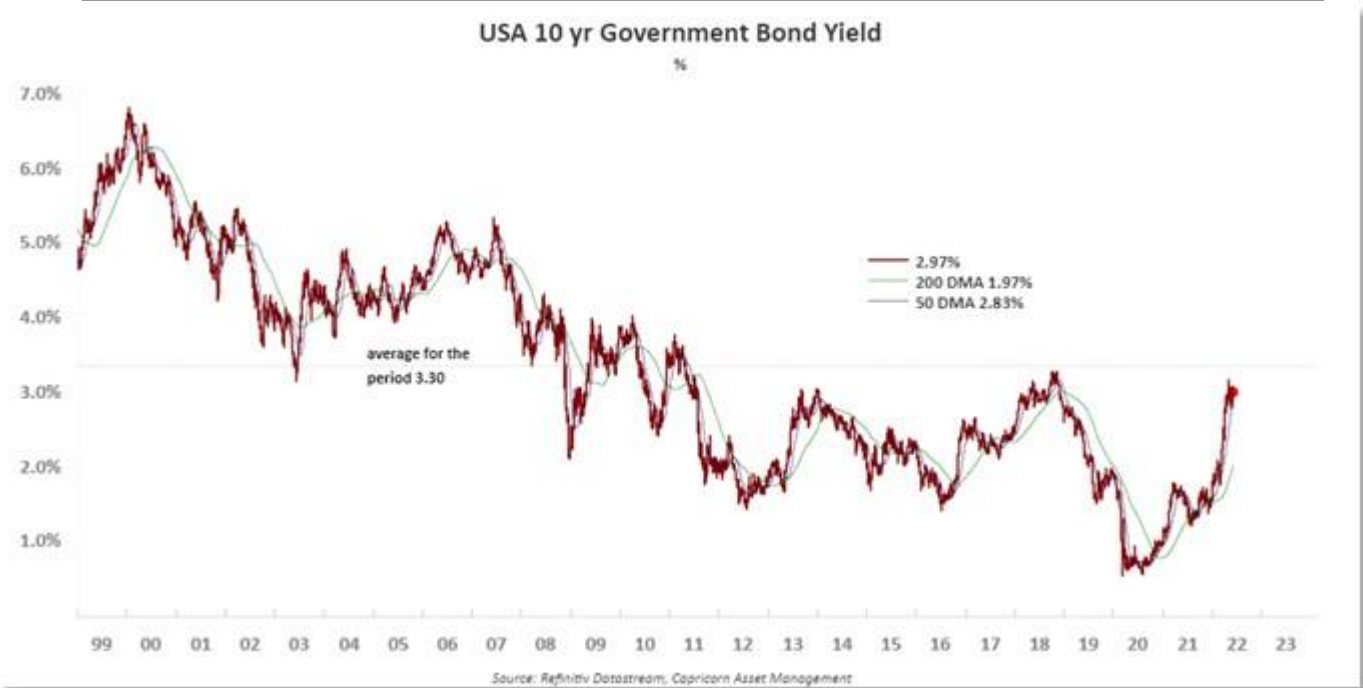


The Daily Brief

Capricorn Asset Management

Market Update

Wednesday, 8 June 2022



Global Markets

Asia stocks rose on Wednesday, encouraged by a rally on Wall Street, but gains were kept in check by worries that aggressive central bank policy tightening will stifle global growth and raise the risks of stagflation. The World Bank on Tuesday slashed its global growth forecast by nearly a third to 2.9% for 2022, warning that Russia's invasion of Ukraine has compounded the damage from the COVID-19 pandemic, and many countries now faced recession.

Nevertheless, U.S. stocks rallied to end higher for a second straight day, buoying the mood in Asia. MSCI's broadest index of Asia-Pacific shares outside Japan rose 1.15%, recouping most of its losses in the previous session, while Japan's Nikkei 225 index was up 1%. Australia's S&P/ASX 200 index rose 0.72%, recovering half of its slide on Tuesday after the central bank unexpectedly raised interest rates by the most in 22 years and flagged more tightening to come.

India's central bank is also expected to raise rates later in the day (0430 GMT) in a bid to tame hot prices, with more hikes being priced in. On Thursday, the European Central Bank meets and markets

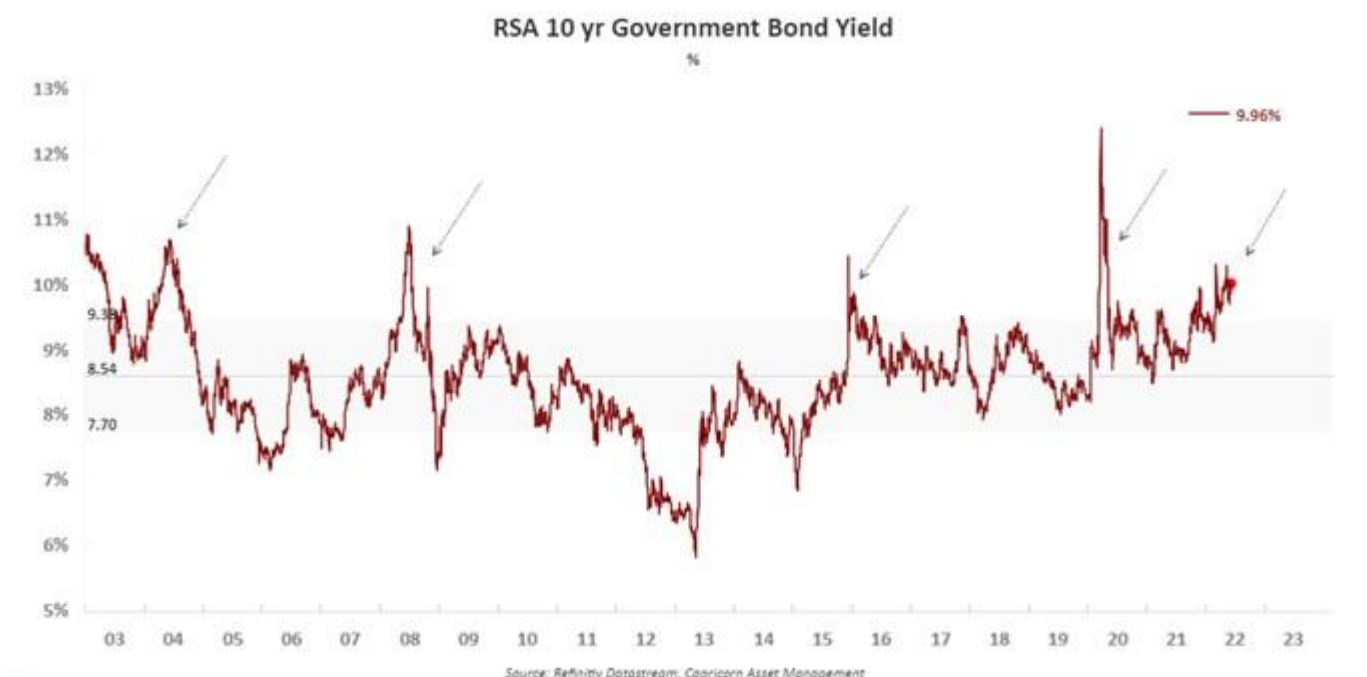
are expecting it to at least lay the groundwork for rapid rate rises, if not begin them with a small hike. "I think the hikes coming from the central banks, or the frontloading is actually positive because it will allow us to kind of curb inflationary pressures," said Trinh Nguyen, senior economist at Natixis in Hong Kong, adding markets could be correcting from Tuesday's "overreaction". "But I wouldn't say that it's an reversal, unless a change of data will tell us otherwise," Nguyen said. U.S. Treasury Secretary Janet Yellen told senators on Tuesday that she expected inflation to remain high and the Biden administration would likely increase the 4.7% inflation forecast for this year in its budget proposal.

Chinese stocks were supported by hopes its economy is slowly getting back on track as strict COVID-19 lockdowns are relaxed. Hong Kong's Hang Seng index rose 1.22%, while China's benchmark index CSI300 edged up by 0.47%. "The bounce in risk sentiment is due to a more positive China tilt where the outlook is set to brighten up as Covid restrictions ease, and state-owned banks are obliged to increase lending again," Stephen Innes, Managing Partner at SPI Asset Management said in a note.

In currencies, the yen hit a fresh 20-year low versus the dollar at 133 and slipped to a seven-year trough against the euro as traders awaited the ECB meeting, which is likely to leave Japan alone among its major peers in sticking to ultra-easy monetary policy. The U.S. Federal Reserve is expected to raise its benchmark funds rate by 50 basis points next week and again in July.

The U.S. benchmark 10-year yield was 2.992%, having edged down from a four week high of 3.064% on Tuesday after Target Corp warned about excess inventory and said it would cut prices, offering some relief to those who think inflation may be peaking. Brent futures rose 0.11% to \$120.72 a barrel and U.S. West Texas Intermediate futures gained 0.23% to \$119.66. Spot gold was down 0.18% at \$1,849.1 per ounce.

Domestic Markets



The South African rand strengthened on Tuesday, riding on a better than expected growth of the economy in the first quarter, while a surprisingly large rate hike in Australia heightened global investor caution. South Africa's economy recovered to the level it was before the COVID-19 pandemic thanks to a strong performance by sectors like manufacturing, data from the statistics agency showed.

At 1551 GMT, the rand traded at 15.3700 against the dollar, around 0.45% stronger than its previous close. Early in the day, the rand had weakened as much as 0.7% against the dollar. Gross domestic product grew 1.9% in the first quarter in quarter-on-quarter seasonally adjusted terms and by 3.0% year-on-year unadjusted in the first three months of the year. Analysts polled by Reuters had predicted 1.2% quarter-on-quarter growth and a 1.7% year-on-year expansion.

"In light of the better-than-expected first-quarter growth, we expect the economy to expand by around 2% this year," Nedbank economists said in a research note. But it cautioned that inflation was set to breach the central bank's target range in the next few months due to high food and fuel prices. South Africa's economic recovery from the COVID pandemic has been uneven, and with unemployment close to record highs the government is under pressure to achieve higher rates of growth.

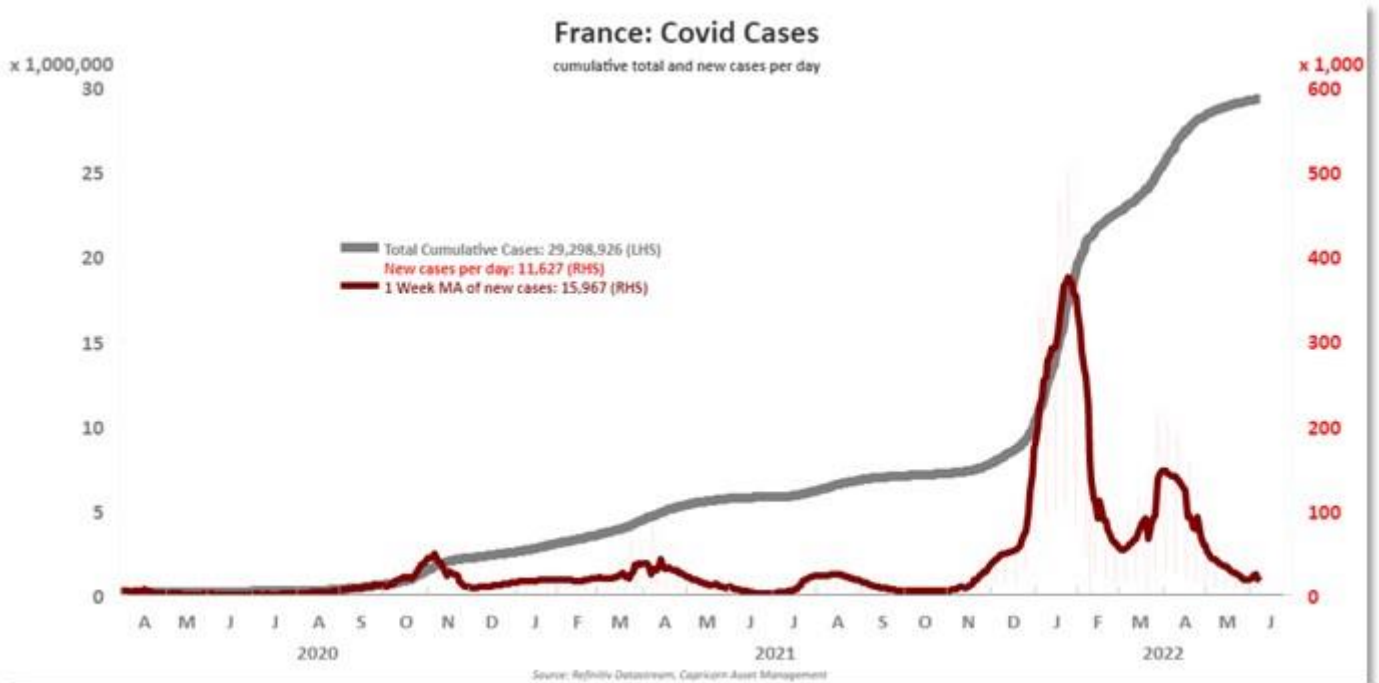
The Reserve Bank of Australia had earlier on Tuesday raised interest rates by the most in 22 years, stunning markets in the lead-up to U.S. inflation data and central bank meetings in Europe and the United States.

Stocks on the Johannesburg Stock Exchange (JSE) fell, even as world shares wavered with Wall Street stocks rebounding and European equity markets trimming losses in the afternoon.

The Johannesburg All-Share index fell 1.13% to 70,318 points while the Top-40 index closed 1.24% lower at 63,734 points. The government's benchmark 2030 bond fell, with the yield rising 7 basis points to 9.965%.

Corona Tracker

Name	Cases - cumulative total	Cases - newly reported in last 7 days	Deaths - cumulative total	Deaths - newly reported in last 7 days
Global	530,266,292	2,967,189	6,299,364	7,393



Source: Thomson Reuters Refinitiv

Don't compare yourself with other people; compare yourself with who you were yesterday.

Jordan Peterson

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)					08 June 2022	
Money Market TB Rates %			Last close	Difference	Prev close	Current Spot
3 months	➔		5.29	0.000	5.29	5.29
6 months	➔		5.75	0.000	5.75	5.75
9 months	➔		6.62	0.000	6.62	6.62
12 months	➔		6.99	0.000	6.99	6.99
Nominal Bond Yields %			Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	➔		7.26	0.000	7.26	7.26
GC24 (Coupon 10.50%, BMK R186)	⬆️		7.91	0.100	7.81	7.90
GC25 (Coupon 8.50%, BMK R186)	⬆️		8.36	0.100	8.26	8.35
GC26 (Coupon 8.50%, BMK R186)	⬆️		9.07	0.100	8.97	9.06
GC27 (Coupon 8.00%, BMK R186)	⬆️		9.39	0.100	9.29	9.38
GC30 (Coupon 8.00%, BMK R2030)	⬆️		11.27	0.080	11.19	11.26
GC32 (Coupon 9.00%, BMK R213)	⬆️		12.50	0.145	12.36	12.49
GC35 (Coupon 9.50%, BMK R209)	⬆️		13.13	0.080	13.05	13.12
GC37 (Coupon 9.50%, BMK R2037)	⬆️		14.11	0.080	14.03	14.10
GC40 (Coupon 9.80%, BMK R214)	⬆️		14.03	0.080	13.95	14.02
GC43 (Coupon 10.00%, BMK R2044)	⬆️		14.32	0.080	14.24	14.31
GC45 (Coupon 9.85%, BMK R2044)	⬆️		14.33	0.080	14.25	14.32
GC48 (Coupon 10.00%, BMK R2048)	⬆️		14.75	0.080	14.67	14.74
GC50 (Coupon 10.25%, BMK: R2048)	⬆️		14.49	0.080	14.41	14.48
Inflation-Linked Bond Yields %			Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	➔		4.00	0.000	4.00	4.00
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)	➔		5.33	0.000	5.33	5.33
GI33 (Coupon 4.50%, BMK NCPI)	➔		7.24	0.000	7.24	7.24
GI36 (Coupon 4.80%, BMK NCPI)	➔		7.70	0.000	7.70	7.70
Commodities			Last close	Change	Prev close	Current Spot
Gold	⬆️		1,852	0.60%	1,841	1,848
Platinum	⬆️		1,011	-0.66%	1,017	1,007
Brent Crude	⬆️		120.6	0.89%	119.5	121.0
Main Indices			Last close	Change	Prev close	Current Spot
NSX Overall Index	⬆️		1,779	-0.55%	1,789	1,779
JSE All Share	⬆️		70,318	-1.13%	71,120	70,318
SP500	⬆️		4,161	0.95%	4,121	4,161
FTSE 100	⬆️		7,599	-0.12%	7,608	7,599
Hangseng	⬆️		21,532	-0.56%	21,654	21,870
DAX	⬆️		14,557	-0.66%	14,654	14,557
JSE Sectors			Last close	Change	Prev close	Current Spot
Financials	⬆️		15,944	-1.90%	16,253	15,944
Resources	⬆️		76,421	-0.04%	76,451	76,421
Industrials	⬆️		76,755	-1.74%	78,118	76,755
Forex			Last close	Change	Prev close	Current Spot
N\$/US dollar	⬆️		15.35	-0.51%	15.43	15.37
N\$/Pound	⬆️		19.33	-0.05%	19.34	19.32
N\$/Euro	⬆️		16.43	-0.47%	16.50	16.43
US dollar/ Euro	⬆️		1.070	0.05%	1.069	1.069
			Namibia		RSA	
Interest Rates & Inflation			May 22	Apr 22	May 22	Apr 22
Central Bank Rate	⬆️		4.25	4.00	4.75	4.25
Prime Rate	⬆️		8.00	7.75	8.25	7.75
			Apr 22	Mar 22	Apr 22	Mar 22
Inflation	⬆️		5.6	4.5	5.9	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

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**
