



# The Daily Brief

Capricorn Asset Management

## Market Update

Wednesday, 9 November 2022



## Global Markets

Asian shares rose and the dollar wobbled on Wednesday as investors awaited U.S. inflation data as well as the results of the U.S. midterm elections that could signify a power shift in Washington.

MSCI's broadest index of Asia-Pacific shares outside Japan was 0.45% higher, while Japan's Nikkei rose 0.2% and Australian stocks gained 0.70%.

China's stock market opened flat, with Hong Kong's Hang Seng Index 0.12% higher.

China stocks soared last week on hopes that authorities in the country would relax their zero-COVID policy, but rising COVID-19 cases have tempered expectations.

"Despite all the positive talk about slowly unwinding zero-Covid and experimenting with bigger events, it looks as if more lockdowns might be on their way," ING regional head of research Robert Carnell said.

Meanwhile, China's factory gate prices for October dropped for the first time since December 2020, underlining faltering domestic demand and disruption to production amid strict COVID-19 measures and a sluggish property sector.

On Tuesday, all three major U.S. stock indexes notched their third straight session in the green.

Results of the U.S. midterm elections will decide whether the Democrats lose or retain congressional control halfway through President Joe Biden's term, with investors expecting Republican gains.

Republicans are widely favoured to pick up the five seats they need to control the House, but control of the Senate could come down to tight races in several states.

A split Congress would diminish the outlook for fiscal support measures, leading investors to expect the Fed to sooner become less aggressive in raising interest rates, strategists at Saxo Markets wrote. They added that such an outcome could spark an equities rally and would likely put downward pressure on the dollar.

Historically, stocks have tended to do better under a split government when a Democrat is in the White House, with investors attributing some of that performance to political gridlock that prevents either side from making major policy changes.

Initial results showed that several Republican senators had easily won re-election but the final outcome probably will not be known any time soon.

In the crypto world, bitcoin fell nearly 1% on Wednesday after sliding 10% following crypto exchange Binance's announcement that it had signed a nonbinding agreement on Tuesday to acquire rival exchange FTX in the face of an apparent liquidity crunch.

U.S. inflation data scheduled for release on Thursday will also be on investors' minds, with economists forecasting a decline in both the monthly and yearly core numbers to 0.5% and 6.5%, respectively.

Fed funds futures have priced in a 67% chance of a 50-basis-point rate hike in December and a 33% probability of a 75-basis-point increase.

In the currency market, the U.S. dollar has been under downward pressure from bets on the Federal Reserve easing back on interest rate rises and on China reopening and driving growth.

The dollar last traded at \$1.1006 per euro and bought 145.20 yen.

Oil prices were mostly unchanged in early trade on Wednesday, after sliding 3% in the previous session on demand worries.

U.S. crude recently fell 0.01% to \$88.90 per barrel and Brent was at \$95.40, up 0.04% on the day.

**Source: Refinitiv**

## Domestic Markets



South Africa's rand edged higher on Tuesday afternoon, as the U.S. currency weakened for a third straight session on global markets.

At 1532 GMT, the rand traded at 17.7150 against the dollar, about 0.1% stronger than its previous close.

The dollar index, which tracks the dollar against a basket of currencies, was down more than 0.3%.

ETM Analytics said the rand was tracking global drivers once again.

"The rand's performance should be considered against a dollar that has surged to unsustainable levels," they wrote in a note to clients.

globally is focused on U.S. midterm elections. A conclusive result to the midterms could take days, but forecasts are for a Republican victory, at least in the House of Representatives, and consequently likely gridlock in Congress.

The Johannesburg Stock Exchange's All-Share index ended about 0.6% weaker. The South African government's benchmark 2030 bond rose slightly, with the yield down 2 basis points to 10.53%.

**Source: Reuters Refinitiv**

True originality consists not in a new manner but in a new vision.

Edith Wharton

## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				09 November 2022	
<b>Money Market TB Rates %</b>					
		Last close	Difference	Prev close	Current Spot
3 months	↑	7.36	0.008	7.35	7.36
6 months	↓	7.62	-0.008	7.63	7.62
9 months	↓	8.24	-0.009	8.25	8.24
12 months	↓	8.53	-0.050	8.58	8.53
<b>Nominal Bond Yields %</b>					
		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	↑	8.97	0.010	8.96	8.97
GC24 (Coupon 10.50%, BMK R186)	↓	8.39	-0.035	8.43	8.38
GC25 (Coupon 8.50%, BMK R186)	↓	8.84	-0.035	8.88	8.83
GC26 (Coupon 8.50%, BMK R186)	↓	8.90	-0.035	8.94	8.89
GC27 (Coupon 8.00%, BMK R186)	↓	9.87	-0.035	9.91	9.86
GC30 (Coupon 8.00%, BMK R2030)	↓	11.82	-0.025	11.85	11.79
GC32 (Coupon 9.00%, BMK R213)	↓	11.99	-0.020	12.01	11.95
GC35 (Coupon 9.50%, BMK R209)	↓	12.57	-0.030	12.60	12.55
GC37 (Coupon 9.50%, BMK R2037)	↓	13.15	-0.030	13.18	13.13
GC40 (Coupon 9.80%, BMK R214)	↓	13.43	-0.025	13.46	13.41
GC43 (Coupon 10.00%, BMK R2044)	↓	13.97	-0.025	13.99	13.95
GC45 (Coupon 9.85%, BMK R2044)	↓	14.49	-0.025	14.51	14.47
GC48 (Coupon 10.00%, BMK R2048)	↓	14.62	-0.030	14.65	14.60
GC50 (Coupon 10.25%, BMK: R2048)	↓	14.63	-0.030	14.66	14.61
<b>Inflation-Linked Bond Yields %</b>					
		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	→	2.88	0.000	2.88	2.88
GI27 (Coupon 4.00%, BMK NCPI)	→	3.94	0.000	3.94	3.94
GI29 (Coupon 4.50%, BMK NCPI)	→	5.19	0.000	5.19	5.19
GI33 (Coupon 4.50%, BMK NCPI)	→	6.00	0.000	6.00	5.93
GI36 (Coupon 4.80%, BMK NCPI)	→	6.90	0.000	6.90	6.90
<b>Commodities</b>					
		Last close	Change	Prev close	Current Spot
Gold	↑	1,713	2.26%	1,675	1,708
Platinum	↑	997	1.89%	979	1,003
Brent Crude	↓	95.4	-2.61%	97.9	95.0
<b>Main Indices</b>					
		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,612	-0.34%	1,618	1,612
JSE All Share	↓	69,011	-0.62%	69,439	69,011
SP500	↑	3,828	0.56%	3,807	3,828
FTSE 100	↑	7,306	0.08%	7,300	7,306
Hangseng	↓	16,557	-0.23%	16,596	16,310
DAX	↑	13,689	1.15%	13,534	13,689
<b>JSE Sectors</b>					
		Last close	Change	Prev close	Current Spot
Financials	↓	15,867	-0.12%	15,886	15,867
Resources	↓	66,550	-0.50%	66,885	66,550
Industrials	↓	81,158	-0.96%	81,942	81,158
<b>Forex</b>					
		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	17.71	-0.06%	17.72	17.74
N\$/Pound	↑	20.43	0.16%	20.40	20.48
N\$/Euro	↑	17.84	0.47%	17.76	17.86
US dollar/ Euro	↑	1.007	0.53%	1.002	1.007
<b>Interest Rates &amp; Inflation</b>					
		Namibia		RSA	
		Oct 22	Sep 22	Sep 22	Aug 22
Central Bank Rate	↑	6.25	5.50	6.25	5.50
Prime Rate	↑	10.00	9.25	9.75	9.00
		Sep 22	Aug 22	Sep 22	Aug 22
Inflation	↓	7.1	7.3	7.5	7.6

**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

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**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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