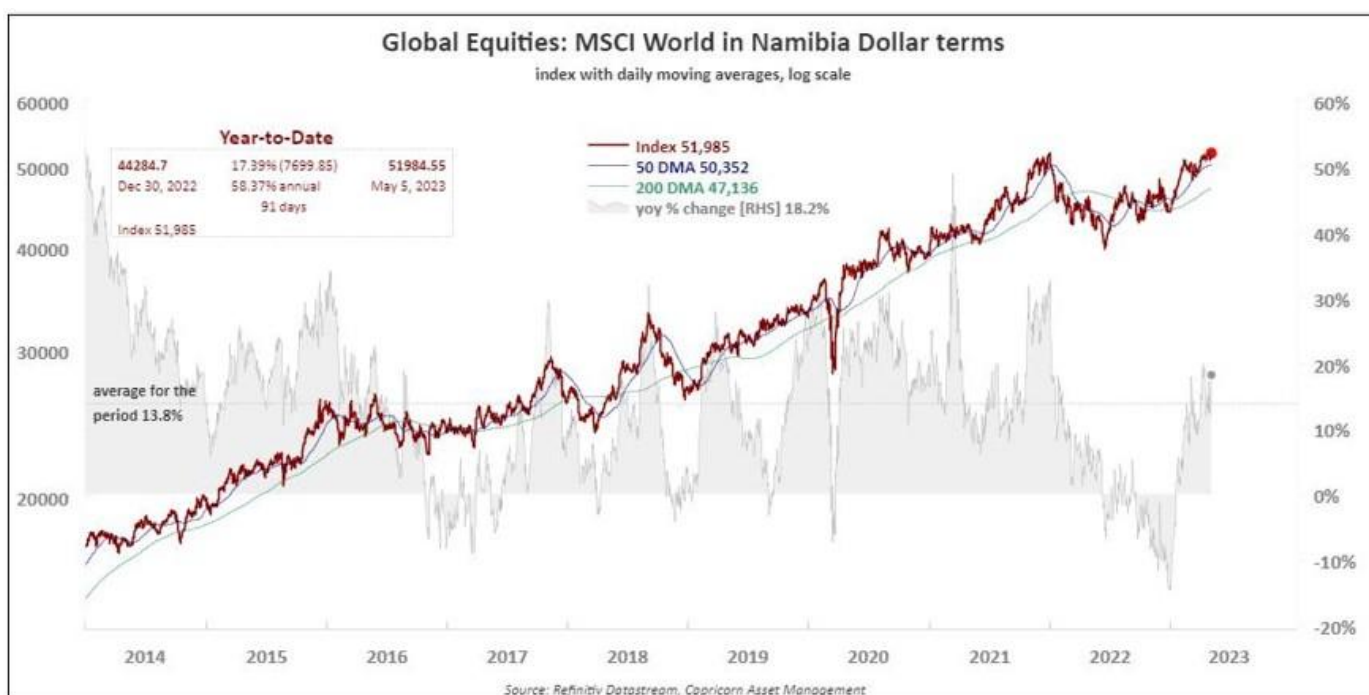




## Market Update

Monday, 08 May 2023



## Global Markets

Asian shares crept higher on Monday as investors braced for a week where U.S. inflation data will test wagers the next move in interest rates will be down, while worries about a possible credit crunch weighed on the dollar.

Friday's robust U.S. payrolls report has already delivered a setback to easing hopes and any upside surprise on consumer prices would challenge bets for a rate cut as soon as September.

Forecasts are for a rise of 0.4% in April for both the headline and core CPI, with the annual pace of core inflation slowing just a tick to 5.5%.

Later Monday, the Federal Reserve's survey of loan officers will draw an unusual amount of attention as markets seek to gauge the impact of regional banking stress on lending.

"The survey should point to further broad-based tightening in bank lending standards," said Bruce Kasman, head of economic research at JPMorgan.

"Continued stress in the banking system does, of course, increase concern that a disruptive financial market event is on the horizon," he added. "Though our analysis suggests that the impact of a credit tightening against an otherwise healthy backdrop tends to be limited."

Caution made for a slow start in markets and MSCI's broadest index of Asia-Pacific shares outside Japan edged up 0.7%, while Japan's Nikkei eased 0.6%.

Chinese blue chips gained 1.2% ahead of data on trade and inflation due later in the week.

EUROSTOXX 50 futures added 0.2%, while FTSE futures were closed for a holiday.

S&P 500 futures and Nasdaq futures were both flat, after jumping on Friday in the wake of Apple's upbeat results.

While the S&P 500 is up almost 8% for the year so far, all of that is due to just five mega stocks which have collectively risen by 29% so far this year and trade at a 49% premium to the rest of the index.

## **HITTING THE CEILING**

Bond markets were still stinging from the strong payrolls report with U.S. two-year yields up at 3.93% after briefly getting as low as 3.657% last week.

Not helping has been the risk of a U.S. government default with U.S. Treasury Secretary Janet Yellen on Sunday warning of a possible crisis should Congress not raise the debt ceiling.

Futures imply a near 90% chance the Fed will keep rates steady at its next meeting in June, and a 75% probability of a cut in September.

The market is still pricing in at least one more hike from the European Central Bank, while the Bank of England is widely expected to lift its rates by a quarter point on Thursday.

The diverging outlook on rates has underpinned the euro and pound, with the latter hitting a one-year high on the U.S. dollar last week. The euro was holding at \$1.1034 on Monday, just short of its recent top of \$1.1096.

"While it is premature to get too 'beared up' on the dollar until a clearer peak in U.S. rates is seen, the U.S. banking sector travails that have no easy/costless solutions, continue to make for a mildly bearish medium-term story," said Alan Ruskin, head of global FX strategy at Deutsche Bank.

"Certainly it imposes more growth constraints and a greater stagflationary bias than for major competing economies."

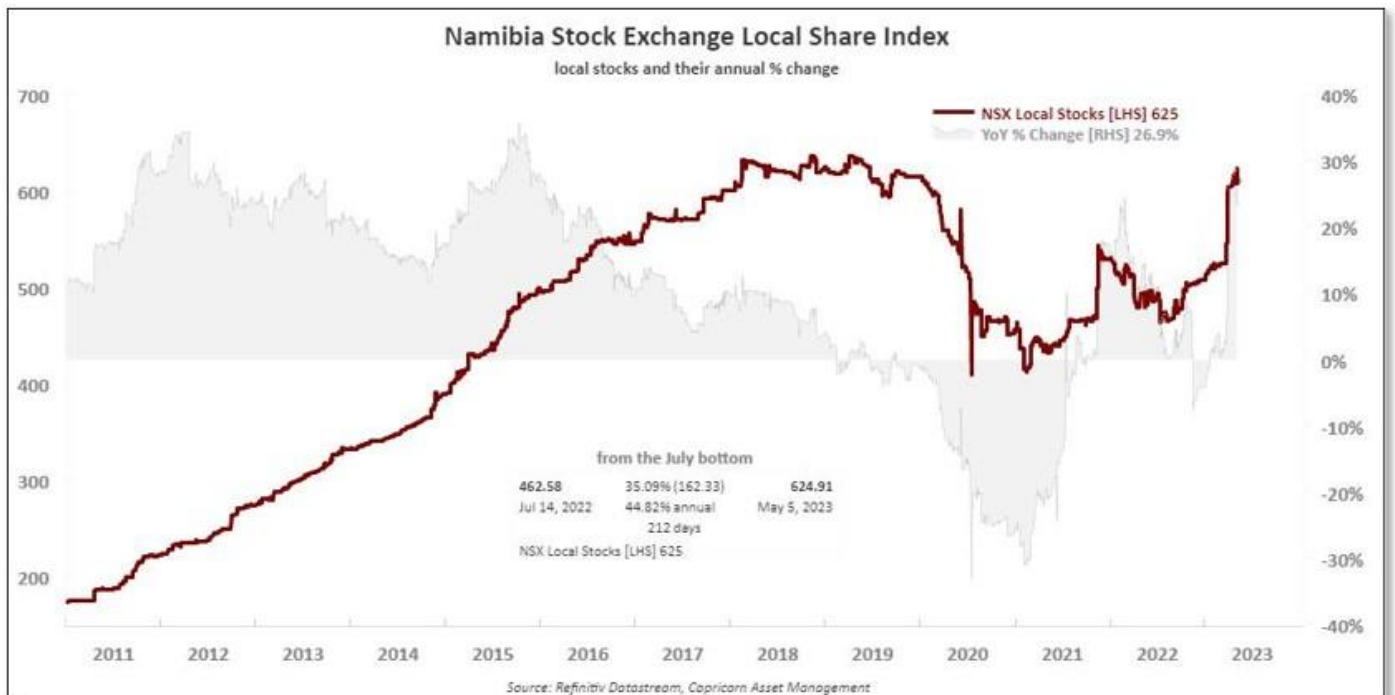
The dollar has fared better on the yen as the Bank of Japan remains the only central bank in the developed world to not have tightened policy. The dollar stood at 134.82 yen, with the euro at 148.75 and not far from its recent 15-year peak of 151.55.

The prospect of a pause in U.S. rate hikes has been a boon for non-yielding gold which was holding at \$2,021 an ounce after nearing a record high last week.

Oil prices have been going the other way as fears of a global economic slowdown eclipsed planned output cuts to see U.S. crude shed more than 7% last week.

Brent was last up 14 cents at \$75.44 a barrel, while U.S. crude added 16 cents to \$71.50 per barrel.

**Source: Thomson Reuters Refinitiv**



## Domestic Markets

The South African rand slipped against the dollar on Friday after stronger-than-expected U.S. jobs data signalled that the Federal Reserve could continue with its rate hike cycle.

At 1512 GMT, the rand traded at 18.4200 against the dollar, down around 0.7% from its closing level on Thursday.

Non-farm payrolls in the United States grew by 253,000 in April, above the 180,000 predicted by economists, pointing to sustained labour market strength that could compel the Fed to keep interest rates higher for longer to tame inflation.

The dollar index jumped on the report before paring gains to trade near its previous close of 101.34.

The risk-sensitive rand often takes cues from global drivers such as U.S. economic data in the absence of local catalysts.

Shares on the Johannesburg Stock Exchange recovered from their previous day's tumble, ending the week higher.

The blue-chip Top-40 index closed up 1.13%, while the broader all-share index .JALSH was 1.12% higher.

"Equity markets look to have been given a late week reprieve after U.S. employment data saw the U.S. leading the rest of the world higher in afternoon trade," said Shaun Murison, senior market analyst at IG.

South Africa's benchmark 2030 government bond was weaker, with the yield up 4 basis points at 10.130%.

**Source: Thomson Reuters Refinitiv**

If you do not think about your future, you cannot have one.

**John Galsworthy**

## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				08 May 2023	
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	⇒	8.49	0.000	8.49	8.49
6 months	⇓	8.85	-0.017	8.87	8.85
9 months	⇓	9.22	-0.050	9.27	9.22
12 months	⇓	9.30	-0.042	9.34	9.30
<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)	⇒	8.40	0.000	8.40	8.40
GC24 (Coupon 10.50%, BMK R186)	⇑	9.04	0.015	9.03	9.04
GC25 (Coupon 8.50%, BMK R186)	⇑	9.19	0.015	9.18	9.19
GC26 (Coupon 8.50%, BMK R186)	⇑	9.09	0.015	9.08	9.09
GC27 (Coupon 8.00%, BMK R186)	⇑	9.56	0.015	9.55	9.56
GC28 (Coupon 8.50%, BMK R2030)	⇑	9.93	0.040	9.89	9.93
GC30 (Coupon 8.00%, BMK R2030)	⇑	10.63	0.040	10.59	10.63
GC32 (Coupon 9.00%, BMK R213)	⇑	11.33	0.050	11.28	11.33
GC35 (Coupon 9.50%, BMK R209)	⇑	12.67	0.045	12.63	12.67
GC37 (Coupon 9.50%, BMK R2037)	⇑	13.12	0.045	13.08	13.12
GC40 (Coupon 9.80%, BMK R214)	⇒	13.20	0.000	13.20	13.24
GC43 (Coupon 10.00%, BMK R2044)	⇑	14.02	0.045	13.97	14.02
GC45 (Coupon 9.85%, BMK R2044)	⇑	13.92	0.045	13.87	13.92
GC48 (Coupon 10.00%, BMK R2048)	⇑	14.06	0.050	14.01	14.06
GC50 (Coupon 10.25%, BMK: R2048)	⇑	14.16	0.050	14.11	14.16
<b>Inflation-Linked Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GI25 (Coupon 3.80%, BMK NCPI)	⇒	3.29	0.000	3.29	3.29
GI27 (Coupon 4.00%, BMK NCPI)	⇒	3.59	0.000	3.59	3.59
GI29 (Coupon 4.50%, BMK NCPI)	⇒	5.14	0.000	5.14	5.14
GI33 (Coupon 4.50%, BMK NCPI)	⇒	6.13	0.000	6.13	6.13
GI36 (Coupon 4.80%, BMK NCPI)	⇒	6.43	0.000	6.43	6.43
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	⇓	2,017	-1.69%	2,051	2,021
Platinum	⇑	1,059	1.92%	1,039	1,066
Brent Crude	⇑	75.3	3.86%	72.5	75.8
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	⇑	1,561	2.96%	1,516	1,561
JSE All Share	⇑	78,133	1.12%	77,271	78,133
SP500	⇑	4,136	1.85%	4,061	4,136
FTSE 100	⇑	7,778	0.98%	7,703	7,778
Hangseng	⇑	20,049	0.50%	19,949	20,188
DAX	⇑	15,961	1.44%	15,734	15,961
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	⇑	15,392	2.09%	15,077	15,392
Resources	⇑	70,904	0.89%	70,276	70,904
Industrials	⇑	105,222	0.90%	104,283	105,222
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	⇑	18.42	0.73%	18.28	18.39
N\$/Pound	⇑	23.26	1.18%	22.98	23.25
N\$/Euro	⇑	20.29	0.77%	20.13	20.29
US dollar/ Euro	⇑	1.102	0.05%	1.101	1.104
<b>Interest Rates &amp; Inflation</b>		<b>Namibia</b>		<b>RSA</b>	
		<b>Apr 23</b>	<b>Mar 23</b>	<b>Apr 23</b>	<b>Mar 23</b>
Central Bank Rate	⇑	7.25	7.00	7.75	7.75
Prime Rate	⇑	11.00	10.75	11.25	10.75
		<b>Mar 23</b>	<b>Feb 23</b>	<b>Mar 23</b>	<b>Feb 23</b>
Inflation	⇒	7.2	7.2	7.1	7.0

**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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