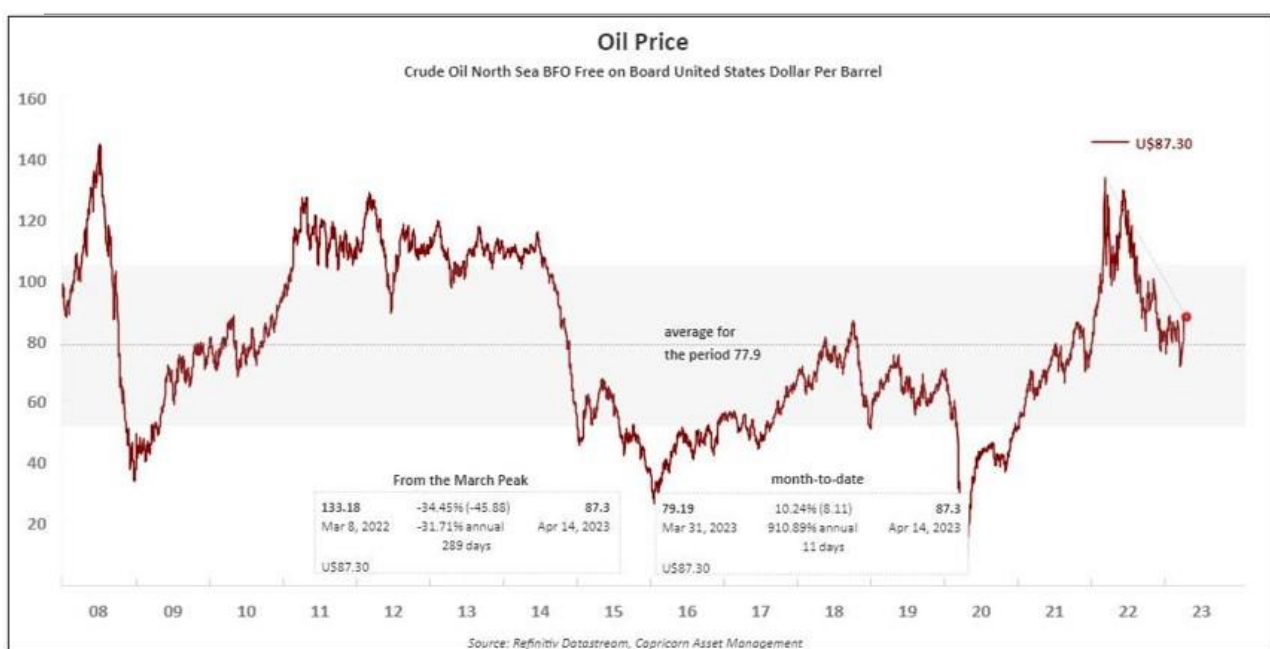




## Market Update

Monday, 17 April 2023



## Global Markets

Asian stocks traded cautiously on Monday as U.S. earnings season gets into full swing, while a raft of Chinese data will offer insight into how the world's second-largest economy is recovering.

Markets have also seen a mood shift on the outlook for U.S. interest rates, with CME futures implying an 83% chance the Federal Reserve will hike by a quarter point to 5.0-5.25% in May.

Resilience in core U.S. retail sales and a jump in inflation expectations reported on Friday has led investors to trim the amount of easing expected later this year to around 55 basis points (bp).

"Early April data on the labour market, inflation and consumption all indicate the Fed has more work to do and that a soft or bumpy landing is a greater probability than a sharp and relatively sudden contraction in activity," said analysts at ANZ in a note.

"Our baseline view is for two more 25 bp hikes and, if data does not start to weaken soon, the market will need to reprice for no rate cuts in the second half of this year."

At least eight top Fed officials are speaking this week, including three governors, and could generate plenty of headlines to move the dial further.

The resulting caution saw MSCI's broadest index of Asia-Pacific shares outside Japan ease 0.3%, while Japan's Nikkei went flat.

EUROSTOXX 50 futures edged up 0.3% and FTSE futures 0.2%.

Chinese blue chips added 0.7% ahead of data on retail sales, industrial output and gross domestic product due on Tuesday, where analysts suspect the risks are for an upside surprise given recent strength in trade.

Figures over the weekend showed new home prices climbing at the fastest pace in 21 months, supporting consumer demand and confidence.

## **EYES ON EARNINGS OUTLOOK**

S&P 500 futures inched up 0.2%, while Nasdaq futures were flat as investors awaited a slew of earnings reports led by Goldman Sachs, Morgan Stanley and Bank of America.

Other big names reporting earnings include Johnson & Johnson, Netflix and Tesla.

Analysts expect Q1 S&P 500 earnings to fall 5.2% from the year-earlier period, though BofA analyst Savita Subramanian is more concerned about the outlook for 2023.

"Overall, we expect an in-line quarter, but big cuts for the full-year," BofA warned. "Our 2023 EPS estimate for the S&P 500 remains \$200, still 9% below consensus estimates."

"Demand for consumer goods has already softened and now we're watching services," Subramanian said. "Airlines, hotels and restaurants are feeling pressure from slowing macro, tough comps (comparison periods) and no respite from wage pressure."

In bond markets, the shift in Fed expectations pushed U.S. two-year yields up to 4.12%, having risen 12 basis points last week.

Yet, the outlook has also turned more hawkish on the European Central Bank (ECB), sending German two-year yields surging 32 basis points over the week for the biggest increase since September.

Futures have 37 basis points of ECB tightening priced for the May meeting and 82 basis points by October.

That sea change saw the euro gain 0.8% last week, even after a dip on Friday. So far on Monday, the single currency was holding at \$1.0980 having hit a one-year high of \$1.1075 last week.

The dollar has fared better on the yen as the Bank of Japan remains committed to its super-easy monetary policy, at least for now. That kept the dollar at 133.83 yen, after rallying 1.2% last week.

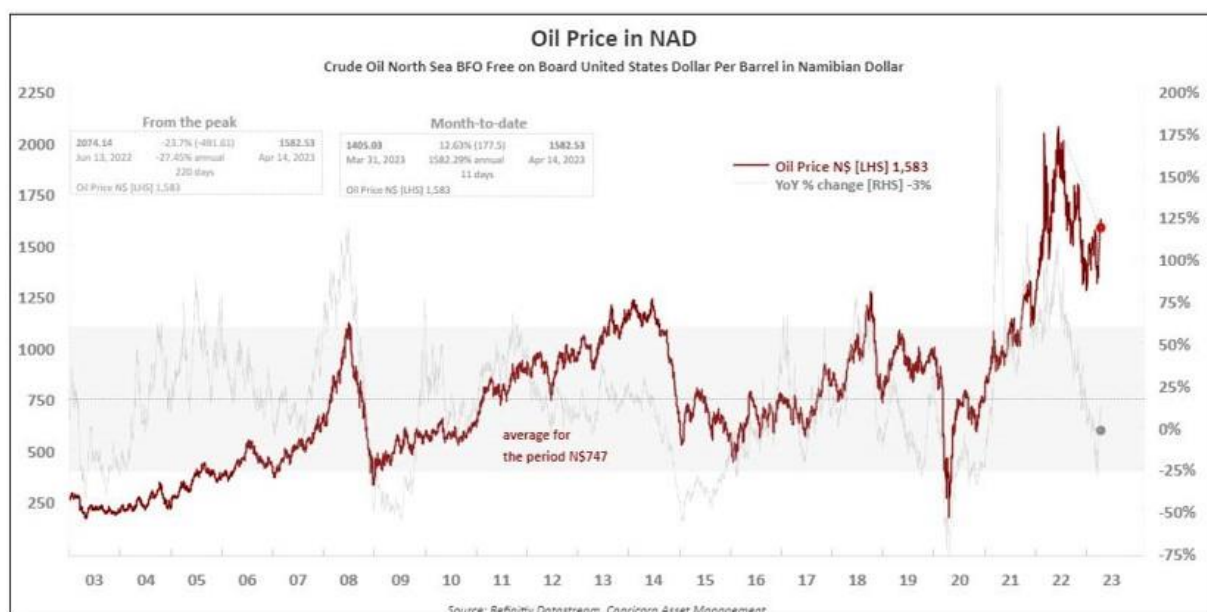
The bounce in the dollar took some of the shine off gold which was back at \$2,004 an ounce, off last week's peak above \$2,048.

Oil prices have enjoyed four straight weeks of gains, helped by cuts to output and as the West's energy watchdog said global demand will climb to a record this year on the back of a recovery in Chinese consumption.

The market was consolidating on Monday with Brent up 19 cents at \$86.50 a barrel, while U.S. crude rose 12 cents to \$82.64

**Source: Thomson Reuters Refinitiv**

## Domestic Markets



The South African rand weakened on Friday as the dollar jumped higher after hawkish comments by a Fed official on the U.S. central bank's future interest rate trajectory.

At 1602 GMT, the rand traded at 18.1275 against the dollar, around 0.42% lower than its previous close.

The dollar index, which measures the currency against six rivals, was last up 0.65% at 101.63.

Despite being on a rate-hiking cycle, the U.S. central bank has made little headway in returning to its inflation target of 2% and therefore would need to move interest rates higher still, Federal Reserve Governor Christopher Waller said.

However, analysts say investors are pricing in the probability that the Fed will need to cut rates later this year on an expected slowdown.

"Regardless of what these Fed governors say... eventually, as the economy slows down, they're going to have to start reducing rates," said Sasfin equity strategist David Shapiro.

Like most emerging market currencies, the risk-sensitive rand often takes cues from global drivers such as U.S. monetary policy, in the absence of major local economic data points.

South African investors will turn their focus next week towards March inflation figures to gauge the health of the local economy.

On the Johannesburg Stock Exchange, the blue-chip Top-40 index closed up 0.59%, while the broader all-share index ended 0.52% higher.

The government's benchmark 2030 bond was weaker, with the yield up 6 basis points at 9.945%.

**Source: Thomson Reuters Refinitiv**

Find something you're passionate about and keep tremendously interested in it.

Julia Child

## Market Overview

| MARKET INDICATORS (Thomson Reuters Refinitiv) |   |                   |                   | 17 April 2023     |                     |
|---|---|-------------------|-------------------|-------------------|---------------------|
| <b>Money Market TB Rates %</b>                |   |                   |                   |                   |                     |
|   |   | <b>Last close</b> | <b>Difference</b> | <b>Prev close</b> | <b>Current Spot</b> |
| 3 months                                      | ⇒ | 8.47              | 0.000             | 8.47              | 8.47                |
| 6 months                                      | ⇒ | 8.73              | 0.000             | 8.73              | 8.73                |
| 9 months                                      | ↑ | 9.11              | 0.016             | 9.09              | 9.11                |
| 12 months                                     | ↑ | 9.20              | 0.025             | 9.18              | 9.20                |
| <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)                | ↑ | 8.88              | 0.060             | 8.82              | 8.88                |
| GC25 (Coupon 8.50%, BMK R186)                 | ↑ | 9.03              | 0.060             | 8.97              | 9.03                |
| GC26 (Coupon 8.50%, BMK R186)                 | ↑ | 8.93              | 0.060             | 8.87              | 8.93                |
| GC27 (Coupon 8.00%, BMK R186)                 | ↑ | 9.40              | 0.060             | 9.34              | 9.40                |
| GC28 (Coupon 8.50%, BMK R2030)                | ↑ | 9.75              | 0.060             | 9.69              | 9.75                |
| GC30 (Coupon 8.00%, BMK R2030)                | ↑ | 10.45             | 0.060             | 10.39             | 10.45               |
| GC32 (Coupon 9.00%, BMK R213)                 | ↑ | 11.13             | 0.060             | 11.07             | 11.13               |
| GC35 (Coupon 9.50%, BMK R209)                 | ↑ | 12.50             | 0.060             | 12.44             | 12.50               |
| GC37 (Coupon 9.50%, BMK R2037)                | ↑ | 12.95             | 0.060             | 12.89             | 12.95               |
| GC40 (Coupon 9.80%, BMK R214)                 | ↑ | 13.06             | 0.055             | 13.00             | 13.04               |
| GC43 (Coupon 10.00%, BMK R2044)               | ↑ | 13.87             | 0.065             | 13.80             | 13.87               |
| GC45 (Coupon 9.85%, BMK R2044)                | ↑ | 13.77             | 0.065             | 13.70             | 13.77               |
| GC48 (Coupon 10.00%, BMK R2048)               | ↑ | 13.93             | 0.060             | 13.87             | 13.93               |
| GC50 (Coupon 10.25%, BMK: R2048)              | ↑ | 14.03             | 0.060             | 13.97             | 14.03               |
| <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)                 | ⇒ | 3.70              | 0.000             | 3.70              | 3.70                |
| GI29 (Coupon 4.50%, BMK NCPI)                 | ⇒ | 5.25              | 0.000             | 5.25              | 5.25                |
| GI33 (Coupon 4.50%, BMK NCPI)                 | ⇒ | 6.22              | 0.000             | 6.22              | 6.22                |
| GI36 (Coupon 4.80%, BMK NCPI)                 | ⇒ | 6.56              | 0.000             | 6.56              | 6.56                |
| <b>Commodities</b>                            |   |                   |                   |                   |                     |
|   |   | <b>Last close</b> | <b>Change</b>     | <b>Prev close</b> | <b>Current Spot</b> |
| Gold  | ↓ | 2,003             | -1.80%            | 2,040             | 2,004               |
| Platinum                                      | ↓ | 1,045             | -0.25%            | 1,047             | 1,038               |
| Brent Crude                                   | ↑ | 86.3              | 0.26%             | 86.1              | 86.3                |
| <b>Main Indices</b>                           |   |                   |                   |                   |                     |
|   |   | <b>Last close</b> | <b>Change</b>     | <b>Prev close</b> | <b>Current Spot</b> |
| NSX Overall Index                             | ↑ | 1,624             | 0.02%             | 1,624             | 1,624               |
| JSE All Share                                 | ↑ | 78,870            | 0.52%             | 78,463            | 78,870              |
| SP500   | ↓ | 4,138             | -0.21%            | 4,146             | 4,138               |
| FTSE 100                                      | ↑ | 7,872             | 0.36%             | 7,843             | 7,872               |
| Hangseng                                      | ↑ | 20,439            | 0.46%             | 20,344            | 20,550              |
| DAX   | ↑ | 15,808            | 0.50%             | 15,729            | 15,808              |
| <b>JSE Sectors</b>                            |   |                   |                   |                   |                     |
|   |   | <b>Last close</b> | <b>Change</b>     | <b>Prev close</b> | <b>Current Spot</b> |
| Financials                                    | ↑ | 15,962            | 0.49%             | 15,885            | 15,962              |
| Resources                                     | ↓ | 70,213            | -1.90%            | 71,571            | 70,213              |
| Industrials                                   | ↑ | 105,969           | 1.88%             | 104,012           | 105,969             |
| <b>Forex</b>                                  |   |                   |                   |                   |                     |
|   |   | <b>Last close</b> | <b>Change</b>     | <b>Prev close</b> | <b>Current Spot</b> |
| N\$/US dollar                                 | ↑ | 18.08             | 0.22%             | 18.04             | 18.06               |
| N\$/Pound                                     | ↓ | 22.45             | -0.64%            | 22.59             | 22.41               |
| N\$/Euro                                      | ↓ | 19.89             | -0.16%            | 19.92             | 19.84               |
| US dollar/ Euro                               | ↓ | 1.100             | -0.40%            | 1.104             | 1.099               |
| <b>Namibia</b>                                |   |                   |                   |                   |                     |
| <b>RSA</b>                                    |   |                   |                   |                   |                     |
| <b>Interest Rates &amp; Inflation</b>         |   |                   |                   |                   |                     |
|   |   | <b>Mar 23</b>     | <b>Feb 23</b>     | <b>Mar 23</b>     | <b>Feb 23</b>       |
| Central Bank Rate                             | ⇒ | 7.00              | 7.00              | 7.75              | 7.25                |
| Prime Rate                                    | ⇒ | 10.75             | 10.75             | 11.25             | 10.75               |
|   |   | <b>Mar 23</b>     | <b>Feb 23</b>     | <b>Feb 23</b>     | <b>Jan 23</b>       |
| Inflation                                     | ⇒ | 7.2               | 7.2               | 7.0               | 6.9                 |

**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

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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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