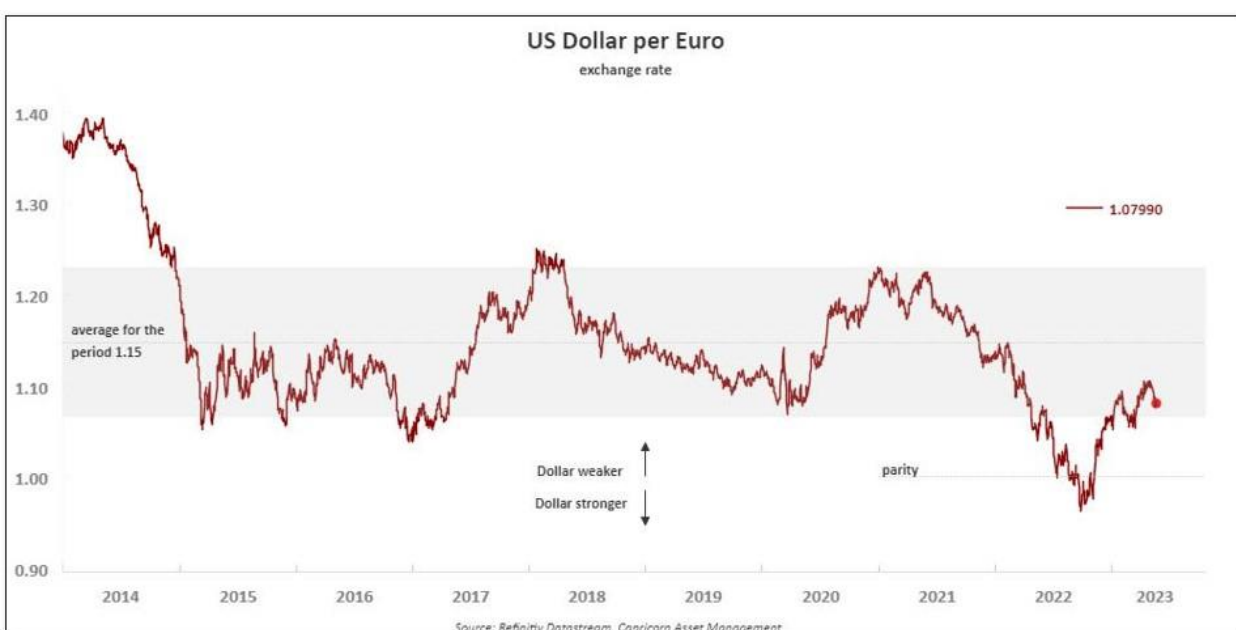




## Market Update

Tuesday, 23 May 2023



## Global Markets

Asian stocks crept to two-week highs in cautious trade Tuesday, helped by hints of progress toward avoiding a U.S. default and by resilience in Japan's economy, with industrial sector surveys in Europe and the United States in focus later in the day.

MSCI's broadest index of Asia-Pacific shares outside Japan touched its highest since May 9, and was up about 0.3% by mid-morning. Japan's Nikkei extended its winning streak into a ninth session and rose 0.6%.

S&P 500 futures advanced 0.2% and European futures rose 0.16%.

President Joe Biden and House Speaker Kevin McCarthy could not reach an agreement Monday on how to raise the U.S. government's \$31.4 trillion debt ceiling with just 10 days before a possible default, but vowed to keep talking.

"The resumption of debt ceiling negotiations spurred some hopes despite distinct risks of brinkmanship and blame-shifting remaining on the cards," said Mizuho economist Vishnu Varathan.

"Without real action on that front, hawkish Fed speak has (had) some sway on markets," he said, noting some pressure on U.S. Treasuries that has also lent support to the dollar.

Ten-year and two-year U.S. yields are near highs not seen since March, as traders start pushing back expectations for U.S. rate cuts from July towards November or December.

Minneapolis Federal Reserve President Neel Kashkari said overnight that it was a "close call" as to whether he'd vote to hike again or pause at next month's meeting.

St. Louis Fed President James Bullard said another 50 basis points of hikes might be required.

Benchmark 10-year Treasury yields rose for a seventh straight session on the remarks to hit 3.728% overnight, and held steady near that level in Asia.

Two-year yields were last at 4.328%.

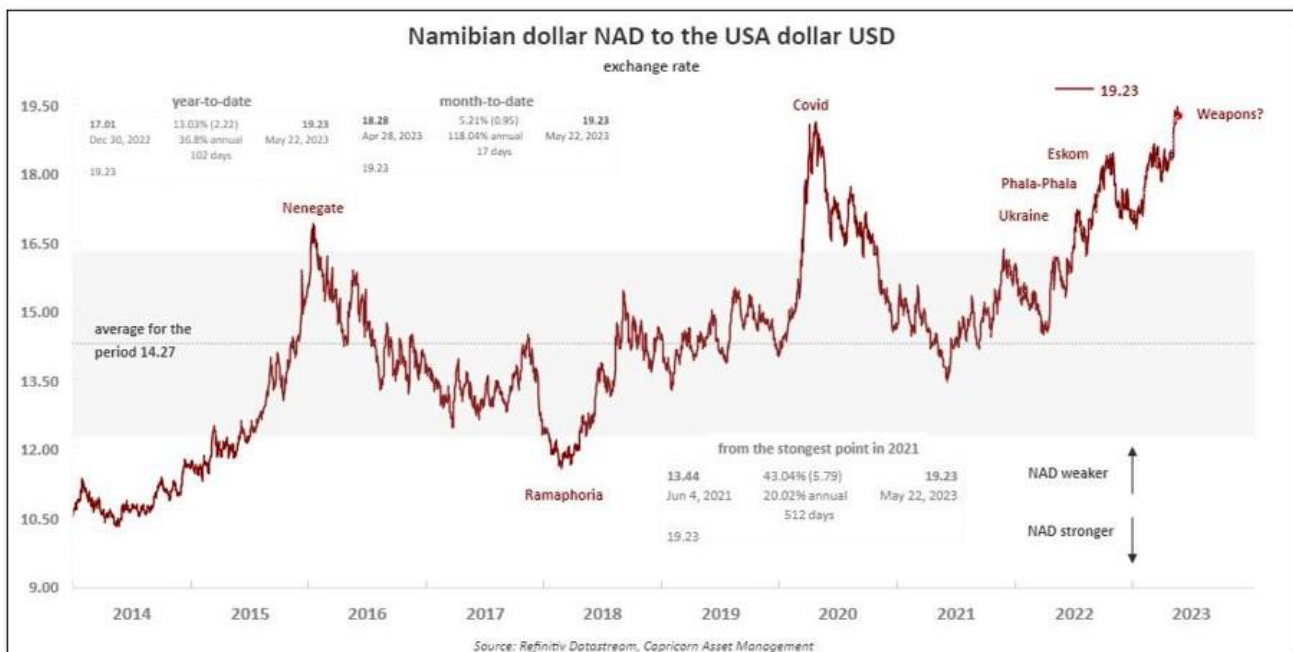
The U.S. dollar tracked the move and hit a six-month high of 138.88 yen in the Asia session. The dollar was firm against most other currencies, and traded at \$1.0805 per euro and \$0.6650 per Australian dollar.

Japan's manufacturing activity expanded for the first time in seven months in May, survey data on Tuesday showed, while the service-sector hit record growth, as the post-COVID recovery gains traction.

Purchasing Managers Index surveys are due in Europe, Britain and the United States later in the day and strong services growth is expected to hold the composite readings in expansionary territory.

Commodities were broadly steady, though U.S. natural gas fell sharply overnight. Benchmark Brent crude futures rose 0.4% to \$76.26 a barrel. Spot gold fell 0.4% to \$1,960 an ounce. Overnight the S&P 500 was flat.

**Source: Thomson Reuters Refinitiv**



## Domestic Markets

The rand strengthened on Monday amid relief that South Africa's credit rating was not downgraded and bets on a large interest rate hike from the central bank later this week.

At 1515 GMT, the rand traded at 19.2575 against the dollar, about 1% stronger than its Friday closing level.

The dollar last traded at 103.36 against a basket of global currencies, about 0.31% stronger.

Analysts polled by Reuters predict a 25-basis-point (bp) rate hike by the South African Reserve Bank (SARB) on Thursday, in what could be its final hike of 2023, but markets have swung to pricing in a bigger rise.

"This will be one of the most important decisions in years. Our house view is for a 25 bp hike," Rand Merchant Bank (RMB) analysts said in a research note.

"Market pricing shows that they will do at least 50 bp, and maybe even 75 bp. The more they hike the better for the rand."

Another factor contributing to positive momentum for the rand was S&P's decision not to downgrade South Africa on Friday, ETM Analytics' Kieran Siney said in emailed comments.

Ratings agency S&P Global held off from changing South Africa's sovereign credit rating or outlook, in a reprieve for South African markets after a turbulent two weeks during which local assets were shaken by a U.S. allegation that a Russian ship had picked up weapons in South Africa in December.

The rand hit an all-time low against the dollar on Friday, at 19.5225 against the greenback.

South Africa is facing a crippling power crisis, where households and businesses are left in the dark for up to 10 hours daily. Struggling state utility Eskom warns that could intensify during the winter months, further damaging Africa's most industrialised economy.

Shares on the Johannesburg Stock Exchange were down, with both the blue-chip Top-40 index and the broader all-share index closing about 0.3% weaker. South Africa's benchmark 2030 government bond was weaker, with the yield up 7 basis points to 11.250%.

**Source: Thomson Reuters Refinitiv**

Judge a man by his questions rather than his answers.

Voltaire

## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)					23 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	↑		8.21	0.016	8.19 8.21
6 months	↑		8.96	0.025	8.93 8.96
9 months	↑		9.28	0.025	9.25 9.28
12 months	↑		9.44	0.075	9.36 9.44
<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)	⇒		8.30	0.000	8.30 8.30
GC24 (Coupon 10.50%, BMK R186)	↓		9.97	-0.060	10.03 9.97
GC25 (Coupon 8.50%, BMK R186)	↓		10.17	-0.060	10.23 10.17
GC26 (Coupon 8.50%, BMK R186)	↓		10.00	-0.060	10.06 10.00
GC27 (Coupon 8.00%, BMK R186)	↓		10.61	-0.060	10.67 10.61
GC28 (Coupon 8.50%, BMK R2030)	↓		11.05	-0.015	11.07 11.05
GC30 (Coupon 8.00%, BMK R2030)	↓		11.55	-0.015	11.57 11.55
GC32 (Coupon 9.00%, BMK R213)	↓		11.87	-0.015	11.88 11.87
GC35 (Coupon 9.50%, BMK R209)	↑		12.91	0.025	12.89 12.91
GC37 (Coupon 9.50%, BMK R2037)	↑		13.76	0.025	13.74 13.76
GC40 (Coupon 9.80%, BMK R214)	↑		13.76	0.015	13.74 13.73
GC43 (Coupon 10.00%, BMK R2044)	↑		13.80	0.005	13.79 13.80
GC45 (Coupon 9.85%, BMK R2044)	↑		14.25	0.005	14.24 14.25
GC48 (Coupon 10.00%, BMK R2048)	↑		14.46	0.015	14.44 14.46
GC50 (Coupon 10.25%, BMK: R2048)	↑		14.41	0.015	14.39 14.41
<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)	⇒		3.69	0.000	3.69 3.69
GI29 (Coupon 4.50%, BMK NCPI)	⇒		5.05	0.000	5.05 5.05
GI33 (Coupon 4.50%, BMK NCPI)	⇒		6.05	0.000	6.05 6.05
GI36 (Coupon 4.80%, BMK NCPI)	⇒		6.38	0.000	6.38 6.38
<b>Commodities</b>			<b>Last close</b>	<b>Change</b>	<b>Prev close</b> <b>Current Spot</b>
Gold	↓		1,969	-0.36%	1,977 1,963
Platinum	↑		1,067	0.42%	1,063 1,067
Brent Crude	↑		76.0	0.54%	75.6 76.2
<b>Main Indices</b>			<b>Last close</b>	<b>Change</b>	<b>Prev close</b> <b>Current Spot</b>
NSX Overall Index	↓		1,535	-0.27%	1,539 1,535
JSE All Share	↓		77,963	-0.27%	78,176 77,963
SP500	↑		4,193	0.02%	4,192 4,193
FTSE 100	↑		7,771	0.18%	7,757 7,771
Hangseng	↑		19,678	1.17%	19,451 19,612
DAX	↓		16,224	-0.32%	16,275 16,224
<b>JSE Sectors</b>			<b>Last close</b>	<b>Change</b>	<b>Prev close</b> <b>Current Spot</b>
Financials	↑		14,937	0.48%	14,866 14,937
Resources	↓		68,928	-0.64%	69,370 68,928
Industrials	↓		108,051	-0.39%	108,475 108,051
<b>Forex</b>			<b>Last close</b>	<b>Change</b>	<b>Prev close</b> <b>Current Spot</b>
N\$/US dollar	↓		19.22	-1.09%	19.43 19.23
N\$/Pound	↓		23.90	-1.17%	24.18 23.91
N\$/Euro	↓		20.78	-1.01%	20.99 20.78
US dollar/ Euro	↑		1.081	0.08%	1.080 1.081
			<b>Namibia</b>		<b>RSA</b>
<b>Interest Rates &amp; Inflation</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>Apr 23</b>	<b>Mar 23</b>	<b>Mar 23</b> <b>Feb 23</b>
Inflation	↓		6.1	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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