



Market Update

Monday, 05 June 2023



Global Markets

Most Asian stock markets extended a global rally on Monday on optimism the Federal Reserve would pause its rate hikes this month after a mixed U.S. jobs report, while oil jumped after Saudi Arabia pledged big output cuts.

Brent oil rose 1% to \$76.89 a barrel, giving up some of its earlier gains to as high as \$78.73, while U.S. crude climbed 1.2% to \$72.61 a barrel, after hitting a session high of \$75.06.

Oil prices have recently come under pressure amid heightened concerns about China's slowing economic recovery.

They rose after Saudi Arabia announced it would cut its output to 9 million barrels per day in July, from around 10 million bpd in May, the biggest reduction in years, while a broader OPEC+ deal to limit supply into 2024 also underpinned futures.

"With Saudi Arabia protecting oil prices from sliding too low ... we think oil markets are now more prone to a shortfall later this year," said Vivek Dhar, a mining and energy commodities strategist at the Commonwealth Bank of Australia.

"We think Brent futures will rise to \$US85/bbl by Q4 2023 even with a tepid demand recovery in China factored in."

On Monday, MSCI's broadest index of Asia-Pacific shares outside Japan gained 0.2%, while Japan's Nikkei surged 1.7% to stand above 32,000 for the first time since July 1990.

Hong Kong's Hang Seng index rose 0.6% while China's bluechips underperformed with a drop of 0.4%.

S&P 500 futures dipped 0.1% and Nasdaq futures dropped 0.3% in Asian hours, after a strong rally on Friday, driven by a mixed U.S. jobs report, a resolution to the debt-ceiling issue and the prospect of a U.S. rate pause this month.

Data on Friday showed U.S. economy added 339,000 jobs last month, higher than most estimates, but moderating wage growth and rising jobless rate led markets to continue to bet on no change in Fed rates this month, with a 75% chance priced in for that, according to CME FedWatch tool.

However, there is about a 70% probability that Fed funds rates would reach 5.25-5.5% or beyond at the policy meeting in July and little chance of a rate cut by the end of this year.

Treasury yields continued to climb on Monday. Yields on U.S. two-year Treasuries rose 4 basis points to 4.5449%, on top of a surge of 16.2 bp on Friday, and 10-year yields also climbed 3 bps to 3.7215%, after a rise of 8 bps on Friday.

Fitch Ratings said the United States' "AAA" credit rating would remain on negative watch, despite the debt agreement.

The U.S. dollar remained elevated on Monday at 104.14 against its major peers, after gaining 0.5% on Friday on the jobs report. The greenback also rose 0.16% on the Japanese yen to 140.17 while the euro eased 0.1% to \$0.10698.

Central banks from Australia and Canada will meet this week. Markets see a sizeable chance - about 40% - that the RBA could surprise with a quarter-point hike on Tuesday after a minimum wages decision that some economists feared could further stoke inflationary pressures.

The Bank of Canada will meet on Wednesday. A majority of economists polled by Reuters expect the BOC to keep interest rates on hold at 4.5% for the rest of the year although the risk of one more rate hike remains high.

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand strengthened on Friday, extending a recovery from the previous session on growing expectations that the U.S. Fed will stand still on interest rates this month.

At 1527 GMT, the rand traded at 19.500 against the dollar, about 0.65% stronger than its previous close.

Earlier in the day the rand had gained more than 1%, before the dollar edged higher after May's non-farm payrolls report.

The rand had a tumultuous last month, losing more than 7% against the dollar, as investor sentiment soured badly on unrelenting power cuts and U.S. allegations that South Africa supplied weapons to Russia.

It struck a record low of 19.9075 on Thursday but ended the day stronger as U.S. manufacturing data and comments by Fed officials reinforced expectations that the Fed would skip a rate hike at its June policy meeting.

Markets are now pricing in a 20% chance of the Fed hiking by 25 basis points compared with a 50% chance a week earlier, according to the CME FedWatch tool, prompting a move back to riskier currencies.

"Some 'risk on' trade has seen a weakening in the U.S. dollar as investors pile back into equity," said Rand Swiss Portfolio Manager Gary Booysen.

Shares on the Johannesburg Stock Exchange closed higher, with both the blue-chip Top-40 index and the broader all-share index up almost 2%.

South Africa's benchmark 2030 government bond was marginally weaker, with the yield up 1 basis point at 11.250%.

Source: Thomson Reuters Refinitiv

Our happiness depends on wisdom all the way.
Sophocles

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				05 June 2023	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	⇒	8.59	0.000	8.59	8.59
6 months	⇓	9.11	-0.042	9.16	9.11
9 months	⇓	9.38	-0.059	9.44	9.38
12 months	⇓	9.49	-0.092	9.58	9.49
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	⇒	8.30	0.000	8.30	8.30
GC24 (Coupon 10.50%, BMK R186)	⇓	9.76	-0.015	9.77	9.76
GC25 (Coupon 8.50%, BMK R186)	⇓	9.96	-0.015	9.97	9.96
GC26 (Coupon 8.50%, BMK R186)	⇓	9.79	-0.015	9.80	9.79
GC27 (Coupon 8.00%, BMK R186)	⇓	10.40	-0.015	10.41	10.40
GC28 (Coupon 8.50%, BMK R2030)	⇑	11.05	0.005	11.04	11.05
GC30 (Coupon 8.00%, BMK R2030)	⇑	11.55	0.005	11.54	11.55
GC32 (Coupon 9.00%, BMK R213)	⇓	11.82	-0.015	11.83	11.82
GC35 (Coupon 9.50%, BMK R209)	⇒	12.91	0.000	12.91	12.91
GC37 (Coupon 9.50%, BMK R2037)	⇒	13.70	0.000	13.70	13.70
GC40 (Coupon 9.80%, BMK R214)	⇑	13.70	0.005	13.69	13.70
GC43 (Coupon 10.00%, BMK R2044)	⇒	13.74	0.000	13.74	13.74
GC45 (Coupon 9.85%, BMK R2044)	⇒	14.19	0.000	14.19	14.19
GC48 (Coupon 10.00%, BMK R2048)	⇒	14.38	0.000	14.38	14.38
GC50 (Coupon 10.25%, BMK: R2048)	⇒	14.33	0.000	14.33	14.33
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	⇒	3.23	0.000	3.23	3.23
GI27 (Coupon 4.00%, BMK NCPI)	⇒	3.88	0.000	3.88	3.88
GI29 (Coupon 4.50%, BMK NCPI)	⇒	5.05	0.000	5.05	5.05
GI33 (Coupon 4.50%, BMK NCPI)	⇒	6.03	0.000	6.03	6.03
GI36 (Coupon 4.80%, BMK NCPI)	⇒	6.44	0.000	6.44	6.44
Commodities		Last close	Change	Prev close	Current Spot
Gold	⇓	1,948	-1.53%	1,978	1,944
Platinum	⇓	1,004	-0.27%	1,006	1,005
Brent Crude	⇑	76.1	2.49%	74.3	77.1
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⇑	1,556	2.40%	1,519	1,556
JSE All Share	⇑	77,126	1.77%	75,783	77,126
SP500	⇑	4,282	1.45%	4,221	4,282
FTSE 100	⇑	7,607	1.56%	7,490	7,607
Hangseng	⇑	18,950	4.02%	18,217	19,012
DAX	⇑	16,051	1.25%	15,854	16,051
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⇑	14,803	1.18%	14,630	14,803
Resources	⇑	70,299	1.94%	68,962	70,299
Industrials	⇑	105,036	2.02%	102,956	105,036
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⇓	19.49	-0.71%	19.63	19.56
N\$/Pound	⇓	24.26	-1.35%	24.59	24.30
N\$/Euro	⇓	20.86	-1.21%	21.12	20.92
US dollar/ Euro	⇓	1.071	-0.51%	1.076	1.070
		Namibia		RSA	
Interest Rates & Inflation		May 23	Apr 23	May 23	Apr 23
Central Bank Rate	⇒	7.25	7.25	8.25	7.75
Prime Rate	⇒	11.00	11.00	11.75	11.25
		Apr 23	Mar 23	Apr 23	Mar 23
Inflation	⇓	6.1	7.2	6.8	7.1

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.



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