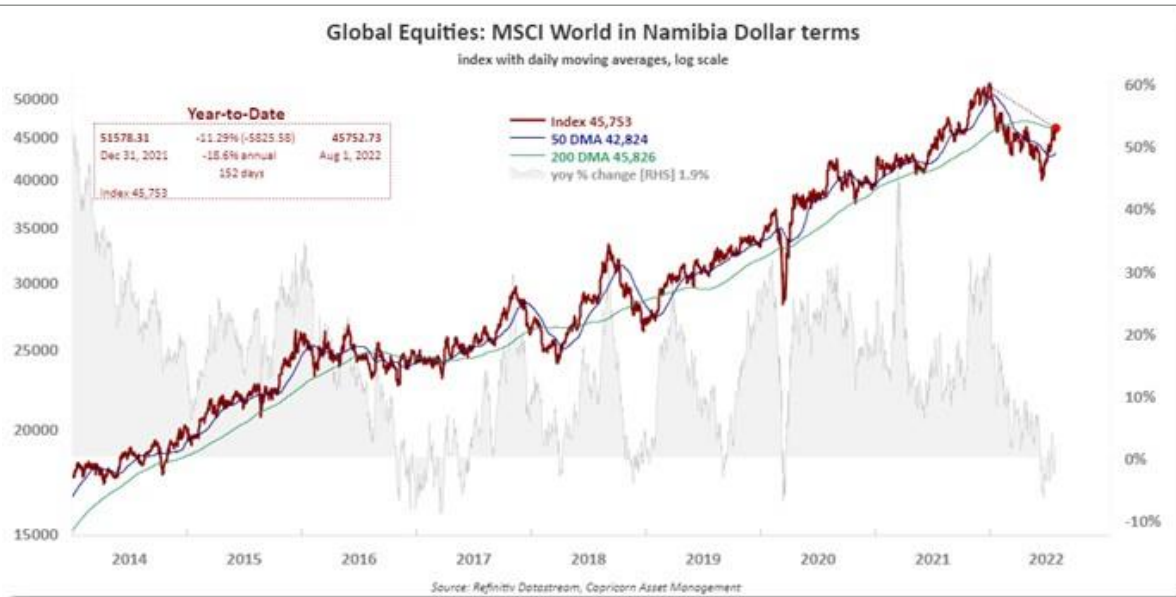




Market Update

Monday, 01 August 2022



Global Markets

Share markets were in a muddled mood on Monday as disappointing Chinese economic data fed doubts Wall Street's rally could be sustained, while the dollar slid on the yen as speculators were forced out of suddenly unprofitable short positions.

China's official measure of factory activity contracted in July as fresh virus flare-ups weighed on demand, and the Caixin PMI also missed forecasts. South Korean activity weakened for the first time in two years, while Japan expanded at the slowest pace in 10 months. That did not bode well for the raft of other PMIs due this week, including the influential U.S. ISM survey, while the July payrolls report on Friday should also show a further slowdown.

At the same time U.S. data out Friday showed stubbornly high inflation and wages growth, while central banks in the UK, Australia and India are all expected to hike again this week. "We expect the Bank of England to step up monetary tightening with a 50bp hike at its August meeting. The increase in energy prices is likely to be the main driver," warned analysts at Barclays. "Central banks focus on the still strong inflation momentum and tight labour markets rather than signals of slowing growth. This could upset markets' recent 'bad news is good news' view."

The caution was evident as MSCI's broadest index of Asia-Pacific shares outside Japan was nearly flat. Chinese blue chips edged up 0.4%, while Japan's Nikkei added 0.5% and South Korea held still. S&P 500 futures and Nasdaq futures both eased 0.4%. EUROSTOXX 50 futures lost 0.3%, as did FTSE futures.

While U.S. corporate earnings have mostly beaten lowered forecasts, analysts at BofA cautioned that only 60% of the consumer discretionary sector had reported and it was under the most pressure given inflation concerns for consumers. "Our bull market signposts also indicate it's premature to call a bottom: historical market bottoms were accompanied by over 80% of these indicators being triggered vs just 30% currently," BofA said in a note.

"Moreover, bear markets always ended after the Federal Reserve cut, which likely is at least six months away - BofA house view is for a first cut in 3Q23."

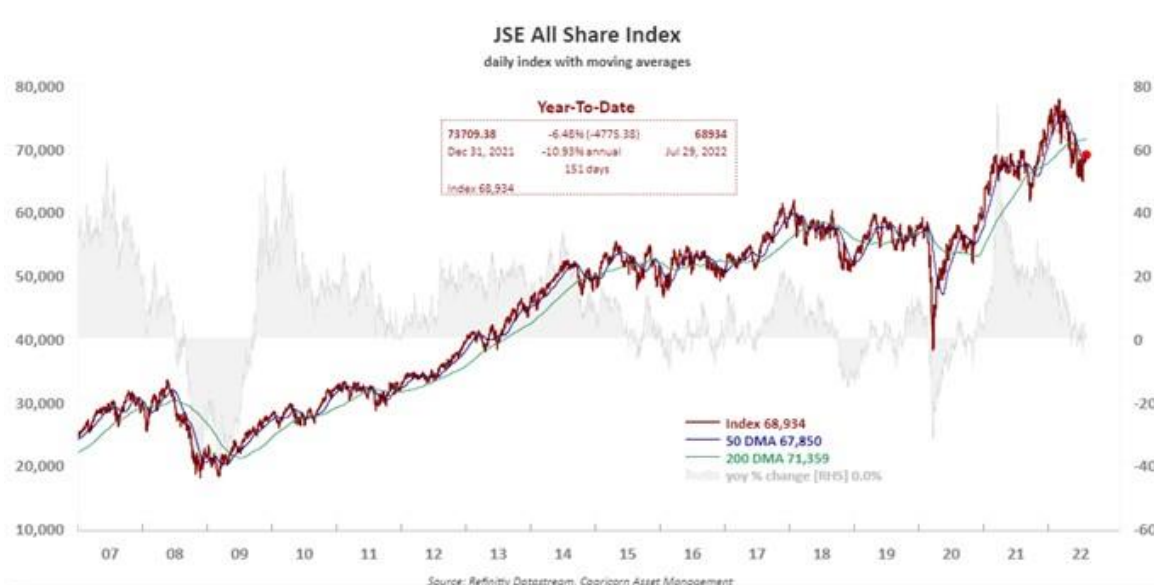
Bond markets have also been rallying hard, with U.S. 10-year yields falling 35 basis points last month for the biggest decline since the start of the pandemic. Yields were last at 2.670%, a long way from the June top of 3.498%. The yield curve remains sharply inverted suggesting bond investors are more pessimistic about the economy than their equity brethren.

The reversal in yields has taken some heat out of the dollar, which lost ground for a second week last week to stand at 105.650 on a basket of currencies, compared to its recent peak of 109.290. The biggest decline came against the yen where speculators had been massively short and found themselves squeezed out by the sudden turnaround. The dollar was down 0.5% at 132.52 yen, having shed a sharp 2.1% last week. The dollar fared a little better on the euro, which has a European energy crisis to contend with and made hardly any headway last week. The euro was last at \$1.0221 and eyeing stiff resistance around \$1.0278.

Jonas Goltermann, a senior markets economist at Capital Economics, was puzzled by the market's dovish reading of last week's 75-basis-point Fed hike. "Our sense is that the risk-on response to the Fed is largely down to a combination of wishful thinking and stretched positioning," he argued. "In our view, there was little in Chair Powell's remarks to suggest policymakers will abandon aggressive rate hikes while inflation remains so far above target," he added. "If we are right that markets have misread the Fed's intention, the dollar will probably resume its rally before too long."

For now, the drop in the dollar and yields has been a relief for gold which stood at \$1,760 an ounce after bouncing 2.2% last week. Oil prices drifted back as the market waited to see if this week's meeting of OPEC+ produced an increase in supply, even if only minor. U.S. crude shed \$1.35 to \$97.27 per barrel, while Brent lost \$1.04 to \$102.93.

Domestic Markets



The rand was weaker at the close. The greenback was quoted at ZAR16.66, up from ZAR16.58 late Thursday.

Stock prices in Johannesburg ended on a mixed note on Friday, with platinum stocks and Anglo American lifting the Top 40 higher. Anglo American closed 4.7% higher, the best performer in the Top 40, after RBC upgraded the miner to an outperform rating from sector perform. Glencore was up 3.4%. The Swiss commodities trader and miner reported a mixed production performance in the first half of the year, dominated by the sale of Ernest Henry Mining, disposal of the zinc business, and continued geotechnical constraints at Katanga.

The Top 40 index closed up 303.82 points, or 0.5%, at 62,473.81 on Friday. The Mid Cap index ended down 0.2% at 75,946.63, while the All Share index ended 0.5% higher at 68,934.01. The Top 40 ended the week 1.3% higher.

The benchmark R186 government bond yield was quoted at 8.93%, in line with the close on Thursday.

The Namibian Ministry of Mines and Energy announced that petrol and diesel prices will remain unchanged for the month of August. The price of petrol will remain at N\$22.28 per litre and the diesel price will remain at N\$22.77 per litre in Walvis Bay. Fuel prices across the rest of the country will also remain unchanged.

Source: Thomson Reuters Refinitiv

Corona Tracker

Name	Cases - cumulative total	⇌	Cases - newly reported in last 7 days	Deaths - cumulative total	Deaths - newly reported in last 7 days
Global	572,239,451		6,712,647	6,390,401	13,992

Source: Thomson Reuters Refinitiv

Between stimulus and response there is a space. In that space is our power to choose our response. In our response lies our growth and our freedom.

[Viktor E. Frankl](#)

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				01 August 2022	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↑	6.71	0.017	6.69	6.71
6 months	↑	6.74	0.017	6.73	6.74
9 months	↓	7.50	-0.008	7.51	7.50
12 months	↓	7.84	-0.033	7.88	7.84
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	↑	8.53	0.010	8.52	8.53
GC24 (Coupon 10.50%, BMK R186)	↓	8.41	-0.025	8.44	8.42
GC25 (Coupon 8.50%, BMK R186)	↓	8.86	-0.025	8.89	8.87
GC26 (Coupon 8.50%, BMK R186)	↓	8.92	-0.025	8.95	8.93
GC27 (Coupon 8.00%, BMK R186)	↓	9.89	-0.025	9.92	9.90
GC30 (Coupon 8.00%, BMK R2030)	↓	11.65	-0.065	11.72	11.65
GC32 (Coupon 9.00%, BMK R213)	↓	11.76	-0.080	11.84	11.78
GC35 (Coupon 9.50%, BMK R209)	↓	12.29	-0.075	12.36	12.28
GC37 (Coupon 9.50%, BMK R2037)	↓	12.90	-0.070	12.97	12.90
GC40 (Coupon 9.80%, BMK R214)	↓	13.22	-0.090	13.31	13.21
GC43 (Coupon 10.00%, BMK R2044)	↓	13.77	-0.070	13.84	13.76
GC45 (Coupon 9.85%, BMK R2044)	↓	14.29	-0.070	14.36	14.28
GC48 (Coupon 10.00%, BMK R2048)	↓	14.46	-0.085	14.54	14.46
GC50 (Coupon 10.25%, BMK: R2048)	↓	14.47	-0.085	14.55	14.47
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	↔	3.55	0.000	3.55	0.00
GI25 (Coupon 3.80%, BMK NCPI)	↔	3.94	0.000	3.94	3.94
GI27 (Coupon 4.00%, BMK NCPI)	↔	4.99	0.000	4.99	4.99
GI29 (Coupon 4.50%, BMK NCPI)	↔	4.85	0.000	4.85	4.85
GI33 (Coupon 4.50%, BMK NCPI)	↔	6.52	0.000	6.52	6.52
GI36 (Coupon 4.80%, BMK NCPI)	↔	7.28	0.000	7.28	7.28
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,765	0.55%	1,755	1,763
Platinum	↑	897	1.00%	888	897
Brent Crude	↑	110.0	2.68%	107.1	103.8
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,565	1.76%	1,538	1,565
JSE All Share	↑	68,934	0.47%	68,611	68,934
SP500	↑	4,130	1.42%	4,072	4,130
FTSE 100	↑	7,423	1.06%	7,345	7,423
Hangseng	↓	20,157	-2.26%	20,623	20,166
DAX	↑	13,484	1.52%	13,282	13,484
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	15,259	-0.33%	15,310	15,259
Resources	↑	64,262	2.94%	62,428	64,262
Industrials	↓	84,014	-0.54%	84,469	84,014
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	16.60	0.78%	16.47	16.55
N\$/Pound	↑	20.19	0.68%	20.05	20.18
N\$/Euro	↑	16.96	1.02%	16.79	16.94
US dollar/ Euro	↑	1.022	0.22%	1.020	1.024
		Namibia		RSA	
Interest Rates & Inflation		Jul 22	Jun 22	Jul 22	Jun 22
Central Bank Rate	↑	4.75	4.25	5.50	4.75
Prime Rate	↑	8.50	8.00	9.00	8.25
		Jun 22	May 22	Jun 22	May 22
Inflation	↑	6.0	5.4	7.4	6.5

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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