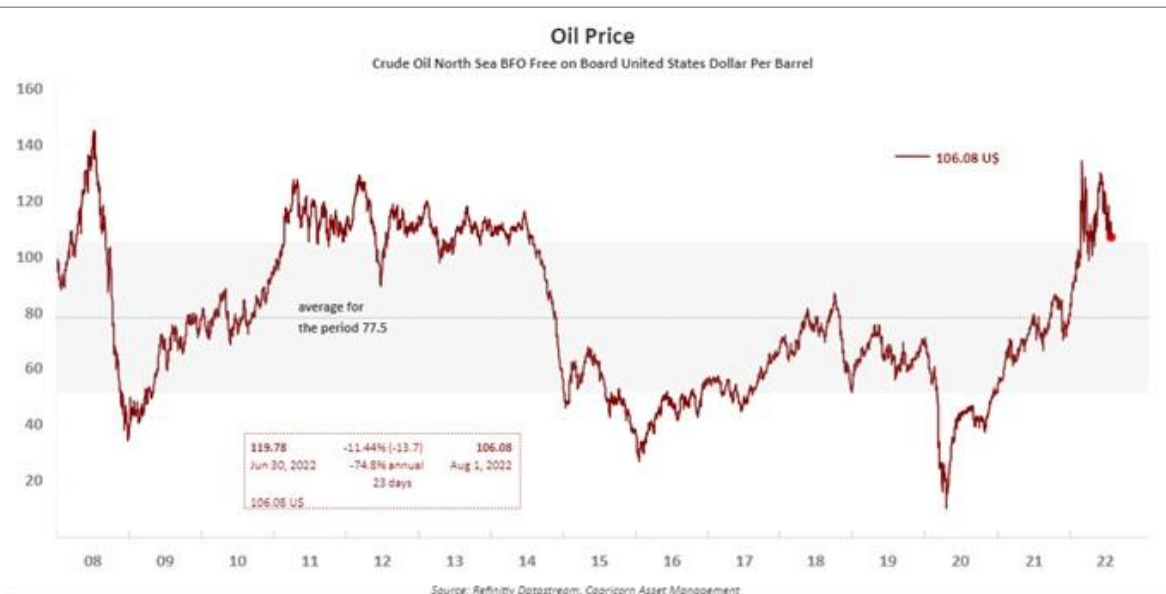




Market Update

Tuesday, 02 August 2022



Global Markets

Asia stocks tumbled on Tuesday as jitters about an escalation in Sino-U.S. tension with U.S. House of Representatives Speaker Nancy Pelosi set to begin a trip to Taiwan, adding to fears about the risk of a global recession. U.S. long-term Treasury yields dropped to a four-month low, pulling the U.S. dollar down, amid a bid for safer assets after China threatened repercussions in the event of the visit by Pelosi to the self-ruled island, which China claims as its territory. Crude oil also sank.

Meanwhile, Australian stocks pared declines and the Aussie dollar weakened after the central bank raised the key rate by an as-expected 50 basis points, with markets interpreting changes to the accompanying policy statement as dovish. Japan's Nikkei slid by 1.54%, while Taiwan's stock index dropped 1.87%. Chinese blue chips tumbled 2.47% and Hong Kong's Hang Seng lost 2.71%. However, Australia's equity benchmark was just 0.23% lower, after an earlier decline of 0.7%. MSCI's broadest index of Asia-Pacific shares retreated 1.33%. U.S. e-mini stock futures pointed to a 0.44% lower restart for the S&P 500, which stumbled 0.28% overnight.

"We knew from the onset that (Pelosi's trip) would be a driver of risk-off sentiment in the region," said Carlos Casanova, the senior Asia economist at Union Bancaire Privee in Hong Kong. "There's

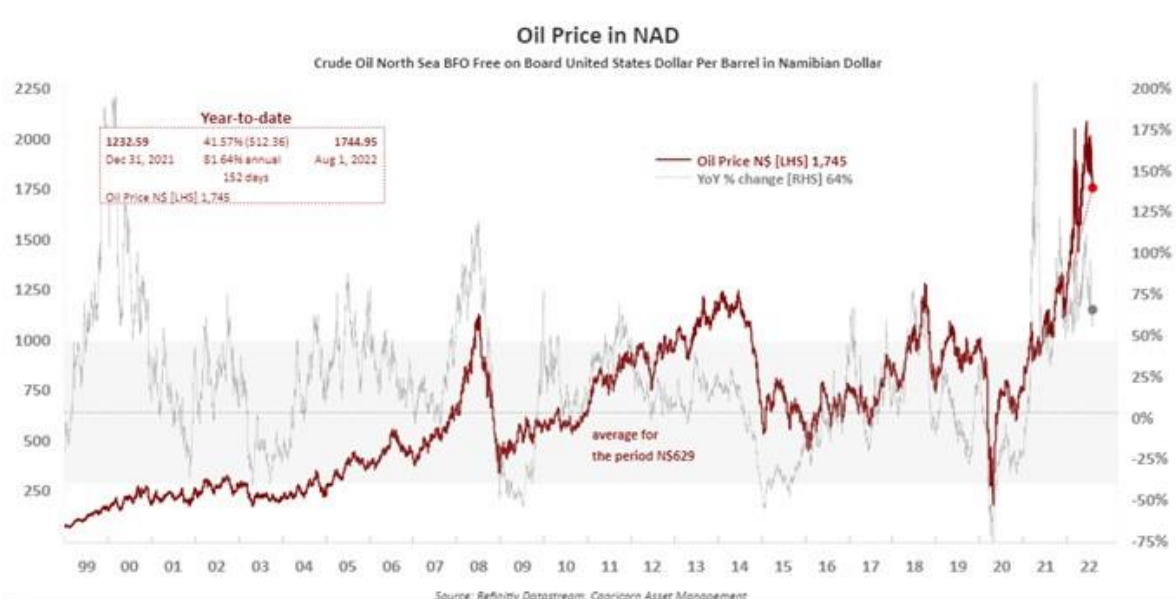
going to be a lot of speculation and uncertainty about what the extent of China's response will be in the short term."

The week began with China, Europe and the United States reporting weakening factory activity, with that in the U.S. decelerating to its lowest level since August 2020. That sank crude, with Brent futures edging down to \$99.27 a barrel on Tuesday after losing almost \$4 overnight. U.S. West Texas Intermediate futures also eased to \$93.26, extending Monday's almost \$5 slide.

The benchmark 10-year U.S. Treasury yield fell as low as 2.53% in Tokyo trade, the lowest since April 5, amid wagers the slowdown could spur the U.S. Federal Reserve to ease off the policy-tightening pedal. The bonds also benefited from safety-seeking demand before Pelosi's Taiwan visit. That helped the U.S. dollar slide as low as 130.40 yen for the first time since June 6. The euro jumped as high as \$1.0294; a level not seen since July 5. The Taiwan dollar slipped to its lowest level in more than two years on the weaker side of 30 per U.S. dollar.

Meanwhile, the Aussie was 0.51% lower at \$0.69910, extending a 0.14% retreat following the Reserve Bank of Australia's policy decision. It had hit the highest since June 17, at \$0.7048, in the previous session but that was after bouncing off a 26-month trough at \$0.66825 in the middle of last month. "The Aussie has been underperforming other major currencies lately given global growth concerns, so it really needed a hawkish surprise to reignite its recovery from 2-year lows," said Sean Callow, a currency strategist at Westpac in Sydney. "Instead, it got the RBA leaving the door wide open to slowing the pace of tightening at future meetings, sending AUD back below \$0.70."

Domestic Markets



The South African rand strengthened on Monday, bolstered by dollar weakness on bets the Federal Reserve will slow the pace of its interest rate hikes.

At 1604 GMT, the rand traded at 16.4650 against the dollar, 0.81% stronger than its previous close. The dollar was down about 0.66% against a basket of currencies as investors ramped up bets that the Fed's aggressive policy would tip the U.S. economy into recession. The rand is highly susceptible to shifts in global market sentiment and changes in the outlook for U.S. monetary policy.

This week the domestic data calendar features purchasing manager's index surveys for the manufacturing sector and the whole economy. Investors will also monitor debates within the governing African National Congress (ANC) over the role of the central bank.

An ANC policy conference at the weekend included discussions over whether to expand the South African Reserve Bank's mandate beyond price stability, and delegates made a renewed commitment to nationalising the bank.

"The rand will remain heavily dependent on the global market environment, but the past few days have seen some small, positive outcomes, which has allowed the domestic currency to strengthen," Investec analyst Annabel Bishop said in a research note.

Stocks on the Johannesburg Stock Exchange ended slightly lower in the absence of major catalysts, with the benchmark all-share index closing down 0.42% at 68,643 points, while the blue-chip index of top 40 companies ended 0.51% lower at 62,155 points.

The South African government's benchmark 2030 bond rose slightly, with the yield down 3.5 basis points to 10.445.

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

The more one forgets himself - by giving himself to a cause to serve or another person to love - the more human he is.

Viktor E. Frankl

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				02 August 2022	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	⇒	6.71	0.000	6.71	6.71
6 months	⇒	6.74	0.000	6.74	6.74
9 months	⇒	7.50	0.000	7.50	7.50
12 months	⇒	7.84	0.000	7.84	7.84
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	⇒	8.53	0.000	8.53	8.53
GC24 (Coupon 10.50%, BMK R186)	↑	8.58	0.165	8.41	8.55
GC25 (Coupon 8.50%, BMK R186)	↑	9.03	0.165	8.86	9.00
GC26 (Coupon 8.50%, BMK R186)	↑	9.09	0.165	8.92	9.06
GC27 (Coupon 8.00%, BMK R186)	↑	10.06	0.165	9.89	10.03
GC30 (Coupon 8.00%, BMK R2030)	↑	11.77	0.115	11.65	11.74
GC32 (Coupon 9.00%, BMK R213)	↑	11.89	0.135	11.76	11.89
GC35 (Coupon 9.50%, BMK R209)	↑	12.38	0.090	12.29	12.35
GC37 (Coupon 9.50%, BMK R2037)	↑	13.01	0.105	12.90	12.98
GC40 (Coupon 9.80%, BMK R214)	↑	13.32	0.100	13.22	13.29
GC43 (Coupon 10.00%, BMK R2044)	↑	13.86	0.095	13.77	13.84
GC45 (Coupon 9.85%, BMK R2044)	↑	14.38	0.095	14.29	14.36
GC48 (Coupon 10.00%, BMK R2048)	↑	14.56	0.100	14.46	14.53
GC50 (Coupon 10.25%, BMK: R2048)	↑	14.57	0.100	14.47	14.54
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	↑	1,772	0.37%	1,765	1,772
Platinum	↑	907	1.08%	897	906
Brent Crude	↓	100.0	-9.07%	110.0	98.9
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,541	-1.54%	1,565	1,541
JSE All Share	↓	68,643	-0.42%	68,934	68,643
SP500	↓	4,119	-0.28%	4,130	4,119
FTSE 100	↓	7,413	-0.13%	7,423	7,413
Hangseng	↑	20,166	0.05%	20,157	19,620
DAX	↓	13,480	-0.03%	13,484	13,480
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	15,250	-0.06%	15,259	15,250
Resources	↓	62,981	-1.99%	64,262	62,981
Industrials	↑	84,268	0.30%	84,014	84,268
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	16.52	-0.46%	16.60	16.55
N\$/Pound	↑	20.23	0.21%	20.19	20.25
N\$/Euro	↓	16.95	-0.04%	16.96	16.99
US dollar/ Euro	↑	1.026	0.42%	1.022	1.027
		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.



For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na

Disclaimer

The information contained in this note is the property of Capricorn Asset Management (CAM). The information contained herein has been obtained from sources and persons whom the writer believes to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute the writer's judgement as of the date of this material and are subject to change without notice. This note is provided for informational purposes only and may not be reproduced in any way without the explicit permission of CAM.

A member of  **Capricorn Group**



Connect with Capricorn Asset Management on LinkedIn. Scan our QR code and together we can grow your potential!

