



## Market Update

Friday, 02 December 2022



## Global Markets

Asian shares were flat and Treasuries held onto gains on Friday ahead of the U.S. non-farm payrolls data, the next big test for investors looking for more signs of a shift from the Federal Reserve, while the dollar nursed heavy losses. MSCI's broadest index of Asia-Pacific shares outside Japan lost 0.2% in early trade. Nonetheless, the index is set to rise 4.2% for the week, hovering around the highest level since September.

Japan's Nikkei fell 1.5%.

S&P 500 futures eased 0.3%, while Nasdaq futures fell 0.4%. U.S. shares ended mixed on Thursday after a big rally the day before, buoyed by comments from Fed Chair Jerome Powell that did not sound as hawkish as some had feared. U.S. data overnight including falling U.S. job openings and contracting U.S. manufacturing activity pointing to signs of easing cost pressure added to evidence that the Fed's rate hikes have cooled the economy.

Investors are also watching for more signs that China is easing its zero-COVID policy, and whether China would contribute more to global growth next year amid a looming global recession. Chinese bluechips opened 0.2% lower while Hong Kong's Hang Seng index edged 0.3% higher. Sources told Reuters that China is set to announce an easing of its COVID-19 quarantine protocols in the coming days and a reduction in mass testing, a marked shift in policy after anger over the world's toughest curbs fuelled widespread protests.

Shane Oliver, chief economist at AMP Capital, said markets, after the strong recent rally, in some cases are up to around technical resistance levels, and it may take a while to get through those points. "But I suspect given the increasing signs that inflation is peaking globally and China is easing its COVID restrictions moving away from zero COVID - they haven't said as much but certainly it is moving away from zero COVID - that those things are probably positive," he said. "I think the rally can probably continue but in the short-term the payrolls are the one to watch closely."

Alan Ruskin, macro strategist at Deutsche Bank, said if the nonfarm payrolls increased by from 50,000 to 150,000 in November, that would be favourable for bonds and equities and keep the U.S. dollar trading on the backfoot. Economists polled by Reuters expect payrolls likely rose 200,000 in November.

Futures have priced in a 78% chance of a rise of 50 basis points at the December's policy meeting, while rates are now expected to peak around 4.75% to 5% by mid next year, compared with 5% to 5.25% previously.

In the bond markets, Treasuries held onto their gains after two straight days of rally. The yields on benchmark 10-year Treasury notes were largely steady at 3.5303%, compared with its U.S. close of 3.527%. The two-year yield, which rises with traders' expectations of higher Fed fund rates, was little changed at 4.2584%, compared with a U.S. close of 4.254%.

The U.S. dollar on Friday hovered around its three-month low against a basket of major currencies and was set for a 1.2% weekly drop.

The Euro hit a fresh five-month high at \$1.0539 while the Japanese yen also scaled a new three-month high against the U.S. dollar.

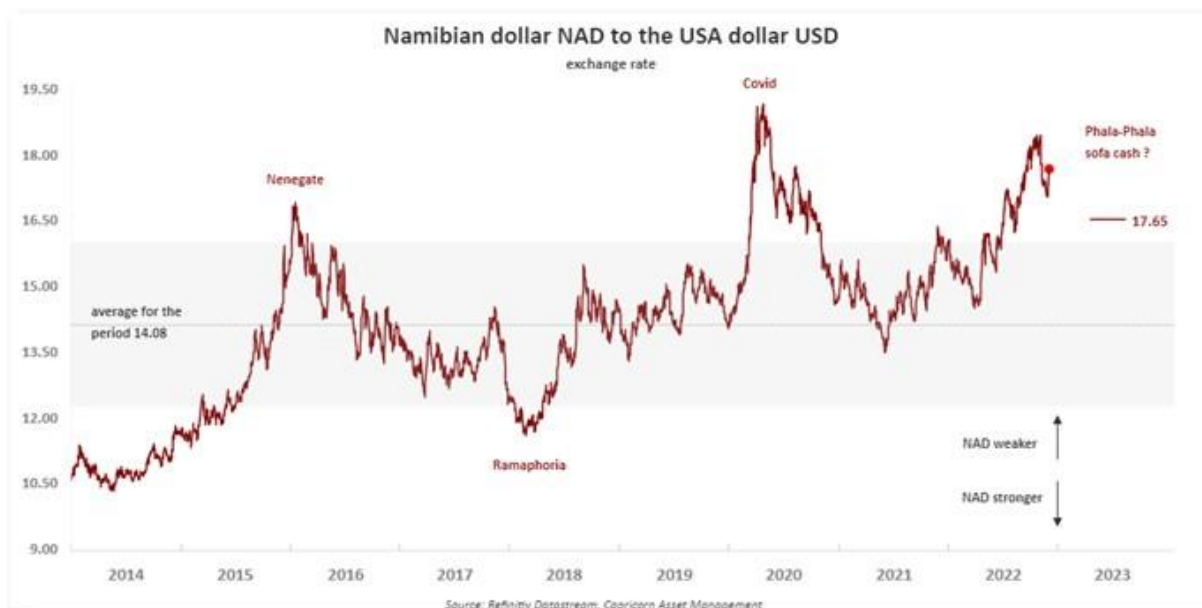
The Aussie dollar dipped slightly to \$0.6796, after blowing past major resistance at 68 cents in the previous session, on Fed pivot hopes and China easing its zero-COVID policy.

In the oil market, prices eased ahead of the OPEC's meeting over the weekend. U.S. crude oil futures fell 0.33% to around \$81.02 per barrel, after surging to a two-week high of \$83.34 in the previous session on a softer dollar. Brent crude futures eased 0.26% to \$86.61 per barrel.

Gold was slightly lower. Spot gold was traded at \$1799.44 per ounce.

**Source: Reuters Refinitiv**

## Domestic Markets



The South African rand and government bond prices fell sharply on Thursday as investors digested news that President Cyril Ramaphosa may be impeached following a panel of experts' findings against him. The rand weakened by 2% to close at 17.55 against the dollar in New York, posting its largest percentage decline since June 10. It fell as far as 17.965 per greenback during the session. Some currency traders noted that the rand was not yet at annual or historically weak levels against the U.S. dollar. Thursday's close was the weakest in less than a month.

The yield on South Africa's benchmark 10-year local bond closed up 65 basis points at 10.935% after spiking to 11.185% in the biggest daily move since the March 2020 COVID-19 induced market rout.

South Africa's presidency hangs in the balance, a day after a panel report found preliminary evidence that he may have violated his oath of office and committed misconduct. The president has denied any wrongdoing. Ramaphosa has not been charged with any crimes. "The uncertainty around Ramaphosa's presidency has caused a selloff of the local currency as investors now wait for clarity on the ramifications of the report, and what that could mean for the president," said Bianca Botes, director at Citadel Global. The growing uncertainty around his political future will weigh negatively on sentiment, said Barclays in a note, adding that it could slow the "positive momentum" that South African credit spreads have enjoyed.

South Africa's sovereign dollar-denominated bonds dropped across the curve with longer-dated maturities suffering the biggest losses. The 2052 issue slipped 2.347 cents to trade at 85.867 cents in the dollar, Tradeweb data showed.

South Africa's five-year credit default swap, which insures against a sovereign default, rose 22 basis points on the day to 266 basis points according to S&P Global Market Intelligence.

While the Johannesburg Stock Exchange closed higher, with the all-share index up 0.26% to 75,020 points, the banks, whose performance largely depend on the local economy, tumbled. The stock market banking index closed down 8.18% at 9635.29 points. In London, shares in financial companies Investec, Old Mutual, Ninety One, and miner Anglo American fell 9%, 12%, 5% and 3% respectively, as the falling rand hit shares of South Africa-exposed companies.

**Source: Reuters Refinitiv**

Quality is not an act, it is a habit.

Aristotle

## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				02 December 2022	
<b>Money Market TB Rates %</b>		Last close	Difference	Prev close	Current Spot
3 months	➡	8.00	0.000	8.00	8.00
6 months	⬆	7.94	0.009	7.93	7.94
9 months	⬆	8.44	0.016	8.42	8.44
12 months	⬆	8.66	0.033	8.63	8.66
<b>Nominal Bond Yields %</b>		Last close	Difference	Prev close	Current Spot
GC23 (Coupon 8.85%, BMK R2023)	⬆	8.99	0.025	8.97	8.99
GC24 (Coupon 10.50%, BMK R186)	⬆	8.78	0.545	8.23	8.77
GC25 (Coupon 8.50%, BMK R186)	⬆	9.23	0.545	8.68	9.22
GC26 (Coupon 8.50%, BMK R186)	⬆	9.29	0.545	8.74	9.28
GC27 (Coupon 8.00%, BMK R186)	⬆	10.26	0.545	9.71	10.25
GC30 (Coupon 8.00%, BMK R2030)	⬆	12.23	0.650	11.58	12.23
GC32 (Coupon 9.00%, BMK R213)	⬆	12.41	0.650	11.76	12.41
GC35 (Coupon 9.50%, BMK R209)	⬆	13.09	0.605	12.48	13.10
GC37 (Coupon 9.50%, BMK R2037)	⬆	13.70	0.595	13.10	13.71
GC40 (Coupon 9.80%, BMK R214)	⬆	14.00	0.600	13.40	14.01
GC43 (Coupon 10.00%, BMK R2044)	⬆	14.54	0.595	13.94	14.55
GC45 (Coupon 9.85%, BMK R2044)	⬆	15.06	0.595	14.46	15.07
GC48 (Coupon 10.00%, BMK R2048)	⬆	15.18	0.600	14.58	15.19
GC50 (Coupon 10.25%, BMK: R2048)	⬆	15.19	0.600	14.59	15.20
<b>Inflation-Linked Bond Yields %</b>		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	➡	2.80	0.000	2.80	2.80
GI27 (Coupon 4.00%, BMK NCPI)	➡	3.93	0.000	3.93	3.95
GI29 (Coupon 4.50%, BMK NCPI)	➡	5.13	0.000	5.13	5.18
GI33 (Coupon 4.50%, BMK NCPI)	➡	5.93	0.000	5.93	5.93
GI36 (Coupon 4.80%, BMK NCPI)	➡	6.90	0.000	6.90	6.90
<b>Commodities</b>		Last close	Change	Prev close	Current Spot
Gold	⬆	1,803	1.95%	1,768	1,797
Platinum	⬆	1,041	0.83%	1,033	1,036
Brent Crude	⬆	86.9	1.70%	85.4	87.1
<b>Main Indices</b>		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬇	1,694	-1.63%	1,722	1,694
JSE All Share	⬆	75,020	0.26%	74,828	75,020
SP500	⬇	4,077	-0.09%	4,080	4,077
FTSE 100	⬇	7,558	-0.19%	7,573	7,558
Hangseng	⬆	18,736	0.75%	18,597	18,573
DAX	⬆	14,490	0.65%	14,397	14,490
<b>JSE Sectors</b>		Last close	Change	Prev close	Current Spot
Financials	⬇	15,274	-6.85%	16,396	15,274
Resources	⬆	75,989	3.48%	73,434	75,989
Industrials	⬆	92,168	1.86%	90,489	92,168
<b>Forex</b>		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬆	17.59	2.34%	17.18	17.53
N\$/Pound	⬆	21.53	3.91%	20.72	21.44
N\$/Euro	⬆	18.50	3.49%	17.88	18.44
US dollar/ Euro	⬆	1.052	1.12%	1.041	1.052
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		Nov 22	Oct 22	Nov 22	Oct 22
Central Bank Rate	⬆	6.75	6.25	7.00	6.25
Prime Rate	⬆	10.50	10.00	10.50	9.75
		Oct 22	Sep 22	Oct 22	Sep 22
Inflation	➡	7.1	7.1	7.6	7.5

**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

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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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**For enquiries concerning the Daily Brief please contact us at**

**[Daily.Brief@capricorn.com.na](mailto:Daily.Brief@capricorn.com.na)**

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