

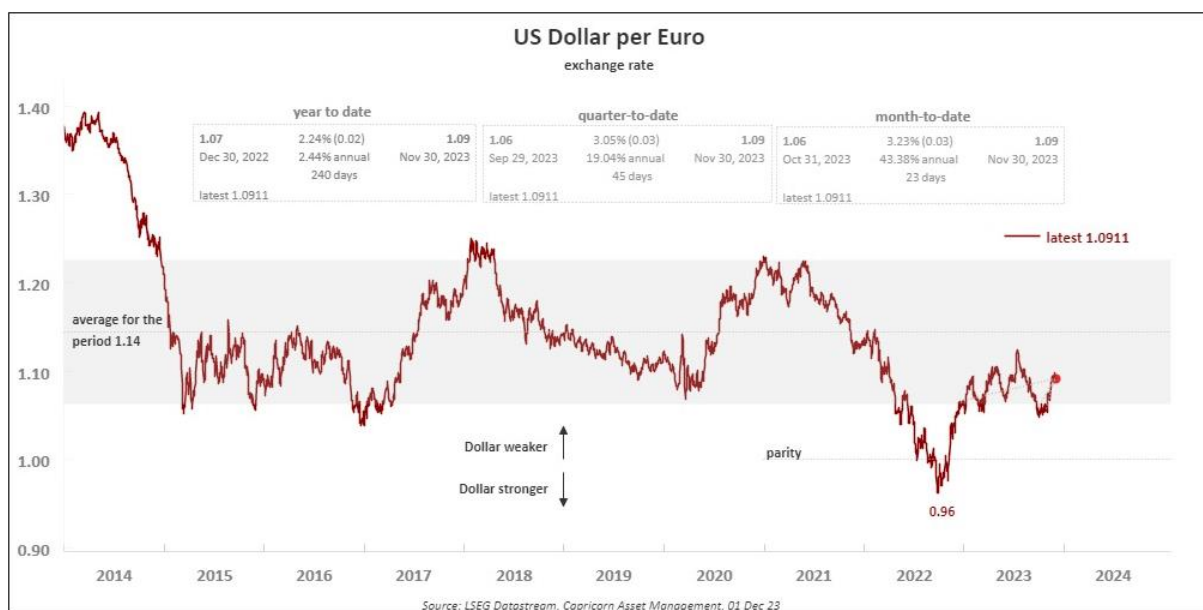
The Daily Brief



Capricorn Asset Management

Market Update

Friday, 01 December 2023



Global Markets

Asian share markets started the last month of the year on a cautious note after recent strong gains, though growing expectations Europe and the U.S. are poised to cut rates should help ease pressure on local currencies and central banks. Global oil prices extended losses after a drop of more than 2% overnight as voluntary oil output cuts by OPEC+ producers for the first quarter of next year fell short of market expectations.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.5% after a surge of 7.3% last month, the most since January. Japan's Nikkei was flat, having also jumped 8.5% in November, the best month in three years. Chinese bluechips dropped 0.6% and Hong Kong's Hang Seng index fell 0.4%.

"Our sense is that quite a lot of the good news is already in the price. A little bit of profit-taking and rebalancing have probably played in the month-end, obscuring the messaging we typically get from the price action," said Rodrigo Catril, a senior FX strategist at the National Australia Bank. Regional surveys of purchasing managers showed mixed results in November. Japan's factory activity shrank at the fastest pace in nine months, South Korea's factory activity steadied and China's manufacturing industry returned to expansion, based on a private survey.

Overnight, data showed that both U.S. and European inflation are cooling as desired. The Federal Reserve's preferred gauge of inflation - the personal consumption expenditures (PCE) price index - stood unchanged for October, while consumer spending also pulled back. The major surprise was with euro zone inflation, which missed expectations by a large margin, triggering a slide in the euro and prompting markets to price in rate cuts of about 110 basis points next year, commencing as early as April.

Traders are now waiting for Fed Chair Jerome Powell's Q&A appearance on Friday, with bulls betting the central bank chief will accommodate their early and aggressive U.S. policy easing bets for next year. Fed funds futures imply rate cuts of 115 basis points. "We suspect this will be a very tightly choreographed session and will stick to the pre-Waller script of caution when it comes to further hikes but with no hint of easing," said Robert Carnell, regional head of research, Asia-Pacific, at ING. Fed Governor Christopher Waller, deemed a hawk, this week hinted at lower interest rates in the months ahead if inflation continued to ease.

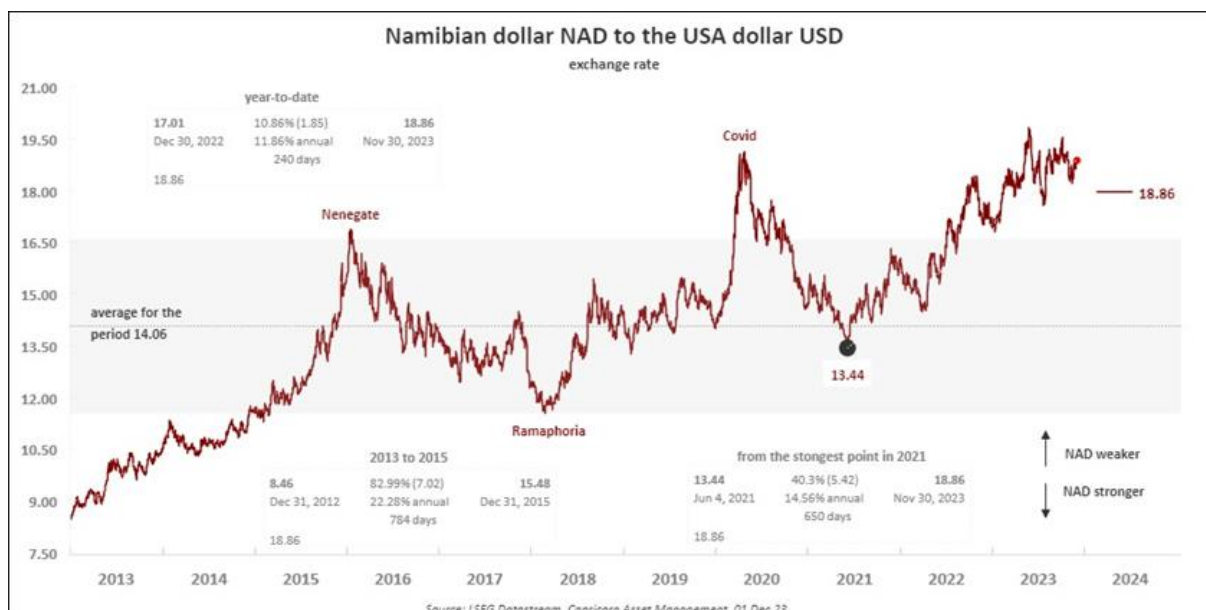
Declining interest rates in Europe and the U.S. would be good news for Asia, greatly easing the pressure on emerging market currencies and allowing room for Asian central banks to ease monetary policy. Investors are turning more bullish on Asian currencies, a Reuters poll found. Bullish bets on the South Korean won, Taiwanese dollar and Philippine peso were at their highest since early February.

The dollar index hovered near a five-session high at 103.28 against its peers, drawing some support from a sliding euro overnight. That came after a staggering loss of 3% for November, the worst in a year. The euro rose 0.2% to \$1.0907, after tumbling 0.7% overnight to a one-week low of \$1.0879.

U.S. Treasuries also eased a little after the best month since 2011. The yield on 10-year Treasury notes slipped 3 basis points in Asia to 4.3264%, on top of a plunge of 52.2 basis points for the month. Two-year Treasury yields fell 4 basis points to 4.674%.

In the oil market, Brent crude futures slipped 0.4% to \$80.56 a barrel while U.S. West Texas Intermediate futures also fell 0.3% to \$75.77 a barrel. Gold prices were 0.3% higher at \$2,042.49 per ounce.

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand weakened against a broadly stronger U.S. dollar on Thursday after local data showed a rise in producer inflation, a widening budget deficit and a trade deficit. At 1510 GMT, the rand traded at 18.8850 against the dollar, about 0.7% weaker than its previous close. The dollar last traded around 0.6% stronger against a basket of global currencies, boosted by month-end demand as investors squared positions for November.

South Africa's producer inflation quickened to 5.8% year on year in October from 5.1% in September, statistics agency data showed, in line with expectations. The country's budget balance data for October showed a deficit of 41.23 billion rand (\$2.19 billion), compared to a deficit of 40.57 billion rand in the same month a year earlier.

The South African Revenue Services also published trade balance figures for October, showing a deficit of 12.66 billion rand. Investors had expected lacklustre figures, said analysts at ETM Analytics.

"On a trade-weighted basis, the ZAR has had a bad week, reflecting the onset of more intense load-shedding and the plethora of negative news headlines, mostly related to dysfunctional SOEs (state-owned enterprises)," ETM said in a research note.

South Africa's benchmark 2030 government bond was weaker, with the yield up 6.5 basis points at 9.980%. On the Johannesburg Stock Exchange, the Top-40 index ended the day about 0.5% higher.

Source: Thomson Reuters Refinitiv

“Good morning, happy first day of December. Keep looking up. That’s the secret of life.”

— Charles M. Schulz

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				01 December 2023	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	→	8.47	0.000	8.47	8.47
6 months	→	8.57	0.000	8.57	8.57
9 months	↓	8.57	-0.017	8.59	8.57
12 months	↓	8.47	-0.025	8.50	8.47
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	↑	8.01	0.060	7.95	8.01
GC25 (Coupon 8.50%, BMK R186)	↑	8.82	0.060	8.76	8.82
GC26 (Coupon 8.50%, BMK R186)	↑	8.13	0.060	8.07	8.13
GC27 (Coupon 8.00%, BMK R186)	↑	8.65	0.060	8.59	8.65
GC28 (Coupon 8.50%, BMK R2030)	↑	9.00	0.065	8.94	9.00
GC30 (Coupon 8.00%, BMK R2030)	↑	9.54	0.065	9.48	9.54
GC32 (Coupon 9.00%, BMK R213)	↑	10.17	0.060	10.11	10.17
GC35 (Coupon 9.50%, BMK R209)	↑	10.80	0.060	10.74	10.80
GC37 (Coupon 9.50%, BMK R2037)	↑	11.63	0.065	11.57	11.63
GC40 (Coupon 9.80%, BMK R214)	↑	11.57	0.065	11.50	11.56
GC43 (Coupon 10.00%, BMK R2044)	↑	11.61	0.090	11.52	11.61
GC45 (Coupon 9.85%, BMK R2044)	↑	12.13	0.090	12.04	12.13
GC48 (Coupon 10.00%, BMK R2048)	↑	12.11	0.085	12.03	12.11
GC50 (Coupon 10.25%, BMK: R2048)	↑	11.96	0.085	11.88	11.96
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	→	3.20	0.000	3.20	3.20
GI27 (Coupon 4.00%, BMK NCPI)	→	4.74	0.000	4.74	4.74
GI29 (Coupon 4.50%, BMK NCPI)	→	5.17	0.000	5.17	5.17
GI33 (Coupon 4.50%, BMK NCPI)	→	5.77	0.000	5.77	5.77
GI36 (Coupon 4.80%, BMK NCPI)	→	6.13	0.000	6.13	6.13
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	2,036	-0.43%	2,045	2,040
Platinum	↓	927	-0.53%	932	927
Brent Crude	↓	82.8	-0.32%	83.1	80.6
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,617	0.07%	1,616	1,617
JSE All Share	↑	75,534	0.39%	75,241	75,534
SP500	↑	4,568	0.38%	4,551	4,568
FTSE 100	↑	7,454	0.41%	7,423	7,454
Hangseng	↑	17,043	0.29%	16,993	16,926
DAX	↑	16,215	0.30%	16,166	16,215
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	16,967	0.14%	16,944	16,967
Resources	↑	58,304	0.22%	58,176	58,304
Industrials	↑	103,477	0.81%	102,643	103,477
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	18.85	0.57%	18.74	18.83
N\$/Pound	↑	23.79	0.01%	23.79	23.80
N\$/Euro	↓	20.52	-0.18%	20.56	20.53
US dollar/ Euro	↓	1.089	-0.75%	1.097	1.091
		Namibia		RSA	
Interest Rates & Inflation		Oct 23	Sep 23	Oct 23	Sep 23
Central Bank Rate	→	7.75	7.75	8.25	8.25
Prime Rate	→	11.50	11.50	11.75	11.75
		Oct 23	Sep 23	Oct 23	Sep 23
Inflation	↑	6.0	5.4	5.9	5.4

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 listeds

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.



Capricorn Asset Management



Bank Windhoek

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**
