

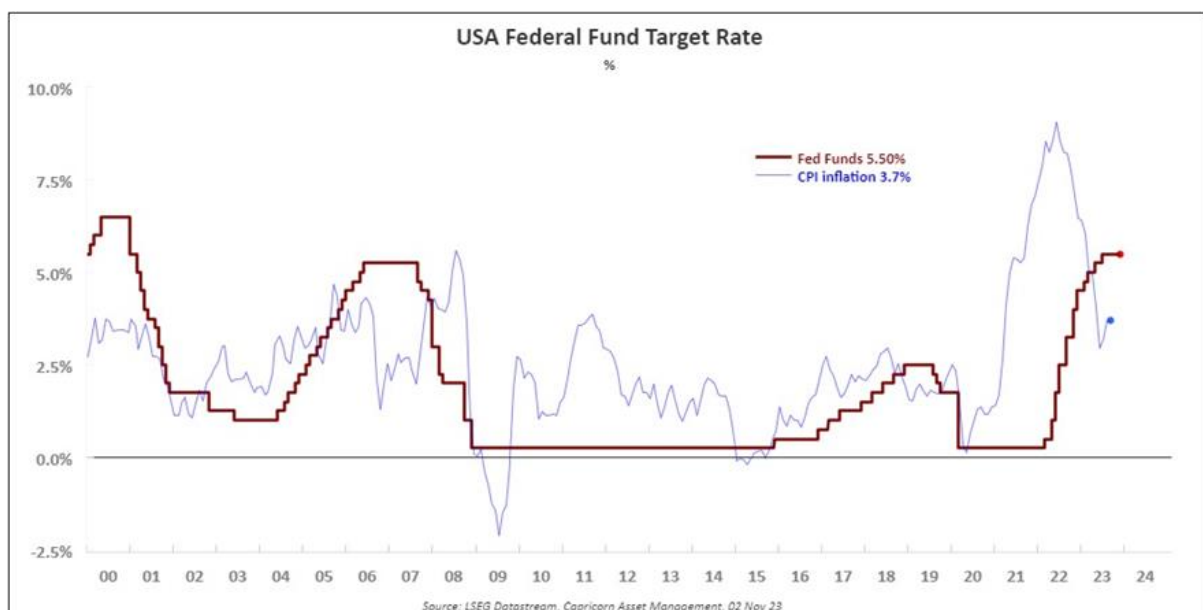
## The Daily Brief



Capricorn Asset Management

### Market Update

Thursday, 02 November 2023



### Global Markets

Asian shares and bonds extended a global rally on Thursday as a non-committal Federal Reserve Chair had markets double down on bets that U.S. interest rates have peaked and cuts are on the way. Investors are now awaiting the results from Apple later in the day, a bellwether for consumer demand and the tech sector. The Cupertino California-based company is expected to report a 1% decrease in quarterly revenue. MSCI's broadest index of Asia-Pacific shares outside Japan surged 1.7% to the highest level in one week. Tokyo's Nikkei gained 1.4% to cross the 32,000 level for the first time in two weeks. China's blue chips were 0.3% higher, while Hong Kong's Hang Seng index jumped 1.7%. Stock futures in Europe and U.S. also gained. EUROSTOXX 50 futures rose 0.8% early in Asia, while S&P 500 futures added 0.3% and Nasdaq futures increased 0.5%.

Overnight, the Fed held the policy rate steady in its current 5.25%-5.50% range. While Chair Jerome Powell did not rule out another hike, markets judged he was not quite as hawkish as he might have been. Fed funds futures FF: rallied as markets pared back the risk of a December hike to about 22% and a January move to 28%. Markets have priced in a 70% chance that the tightening is over and rate cuts could amount to 85 basis points next year, beginning as soon as June.

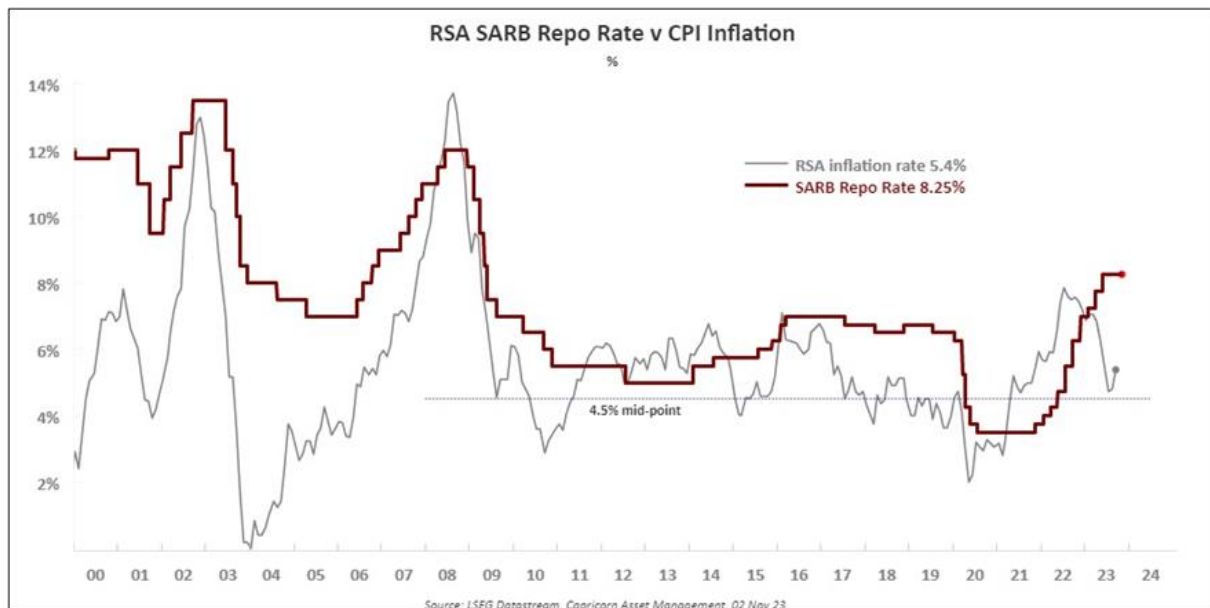
Wall Street and Treasuries rallied. The S&P 500 gained 1% and the Nasdaq Composite surged 1.6%. The benchmark 10-year Treasury yield eased another 2 basis points to 4.7089%, the lowest in more than two weeks. Overnight, it tumbled 14 basis points, the biggest daily drop since March, also in part due to a Treasury announcement that said the government will slow increases in the size of its longer-dated auctions.

"While growth was incredibly strong in the third quarter of 2024 at 5%, we suspect a substantial slowing in 4Q24, which, based on Powell's remarks today, likely won't be enough to garner additional tightening," Tiffany Wilding, an economist at PIMCO, wrote in a note to clients. "Instead the FOMC is happy to remain on hold, and watch and see how the economy evolves early next year." The next big focal point for the market is the non-farm payrolls data on Friday, which analysts expect to show the economy added 180,000 jobs in October, slowing from 336,000 increase the previous month. It will come after private payrolls increased far less than expected.

The dollar was again on the back foot on Thursday, falling 0.1% against its peers. The prospect that the Fed is done tightening buoyed risk sensitive currencies the most, with Australian dollar bouncing 0.6% to a three-week high of \$0.6428. "Although the FOMC may not be talking about it today, within a few months, the question will no longer be 'Will they hike again?' but 'When will they cut?'," said Seema Shah, Chief Global Strategist at Principal Asset Management. The yen continued to regain ground - up 0.3% to 150.46 per dollar on Thursday. It had hit a one-year low after a Bank of Japan decision to ease its control over the 1% cap on 10-year yields, with the tweak seen as insufficient to close the wide interest rate gaps between Japan and other countries.

Oil prices traded higher as the conflict in the Middle East kept investors on edge about whether it could disrupt oil supplies. Brent crude futures climbed 1.2% to \$85.61 a barrel while U.S. West Texas Intermediate futures were at \$81.43 a barrel, up 1.2%. The price of gold was 0.2% higher at \$1,985.86 per ounce.

**Source: Thomson Reuters Refinitiv**



## Domestic Markets

The rand strengthened on Wednesday after South Africa's mid-term budget statement, despite the proposal for tax measures next year to raise additional revenue as budget deficits are projected to widen over the next three years. At 1510 GMT, the rand traded at 18.5975 against the dollar, over 0.3% stronger than its previous close. The dollar last traded around 0.07% stronger against a basket of global currencies.

Finance Minister Enoch Godongwana announced that revenue collections in the current 2023/24 fiscal year were below estimates in the main February budget. The Treasury said it remained committed to stabilising public finances through spending cuts and unspecified tax revenue measures, as well as a reconfiguration of government that would involve the merging or closure of state-owned entities (SOEs). "The positive response by the ZAR is perhaps a sign of approval pertaining to the suggested fiscal discipline and no news of further allocations to ailing SOEs," said Shaun Murison, a senior market analyst at IG.

Major constraints on South Africa's economic growth in the past decade have been rolling power cuts, as utility Eskom struggles with breakdowns of its ageing coal plants, and underperformance at state-owned logistics company Transnet. "The overall message is doubling down on spending-led fiscal consolidation and what is most striking... is the downward revisions to primary spending next year and in the forecast horizon," said Andrew Matheny, an economist at Goldman Sachs.

International investors responded positively to the budget after the government's sovereign dollar bonds fell as much as 0.6 cents earlier in the day. Longer-dated notes rose the most, with the 2052 maturity up 1.021 cents on the dollar to 78.716 cents at 1508 GMT. "The main positive is that there is no additional (bond) issuance over and above what was already factored in," Nick Eisinger, co-head emerging markets active fixed income at Vanguard, said. "That has seen the bonds rally a bit."

On the Johannesburg Stock Exchange, the blue-chip Top-40 index closed almost flat. South Africa's benchmark 2030 government bond was stronger, with the yield down 11 basis points to 10.565%.

Source: Thomson Reuters Refinitiv

The most wasted of all days is one without laughter.

e. e. cummings

## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				02 November 2023	
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	➡	8.46	0.000	8.46	8.46
6 months	⬇	8.60	-0.008	8.61	8.60
9 months	⬇	8.67	-0.008	8.67	8.67
12 months	⬇	8.69	-0.008	8.70	8.69
<b>Nominal Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC24 (Coupon 10.50%, BMK R186)	⬇	8.45	-0.120	8.57	8.37
GC25 (Coupon 8.50%, BMK R186)	⬇	9.25	-0.120	9.37	9.17
GC26 (Coupon 8.50%, BMK R186)	⬇	8.56	-0.120	8.68	8.48
GC27 (Coupon 8.00%, BMK R186)	⬇	9.08	-0.120	9.20	9.00
GC28 (Coupon 8.50%, BMK R2030)	⬇	9.59	-0.110	9.70	9.51
GC30 (Coupon 8.00%, BMK R2030)	⬇	10.13	-0.110	10.24	10.05
GC32 (Coupon 9.00%, BMK R213)	⬇	10.81	-0.108	10.92	10.73
GC35 (Coupon 9.50%, BMK R209)	⬇	11.35	-0.120	11.47	11.27
GC37 (Coupon 9.50%, BMK R2037)	⬇	12.20	-0.125	12.33	12.12
GC40 (Coupon 9.80%, BMK R214)	⬇	12.04	-0.125	12.16	11.96
GC43 (Coupon 10.00%, BMK R2044)	⬇	12.13	-0.170	12.30	12.05
GC45 (Coupon 9.85%, BMK R2044)	⬇	12.65	-0.170	12.82	12.57
GC48 (Coupon 10.00%, BMK R2048)	⬇	12.64	-0.115	12.75	12.56
GC50 (Coupon 10.25%, BMK: R2048)	⬇	12.49	-0.115	12.60	12.41
<b>Inflation-Linked Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GI25 (Coupon 3.80%, BMK NCPI)	➡	3.20	0.000	3.20	3.20
GI27 (Coupon 4.00%, BMK NCPI)	➡	4.71	0.000	4.71	4.71
GI29 (Coupon 4.50%, BMK NCPI)	➡	5.20	0.000	5.20	5.20
GI33 (Coupon 4.50%, BMK NCPI)	➡	5.81	0.000	5.81	5.81
GI36 (Coupon 4.80%, BMK NCPI)	➡	6.19	0.000	6.19	6.19
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	⬇	1,982	-0.03%	1,983	1,986
Platinum	⬇	921	-1.41%	934	927
Brent Crude	⬇	84.6	-3.18%	87.4	85.4
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	⬆	1,514	0.29%	1,509	1,514
JSE All Share	⬆	69,740	0.12%	69,653	69,740
SP500	⬆	4,238	1.05%	4,194	4,238
FTSE 100	⬆	7,342	0.28%	7,322	7,342
Hangseng	⬇	17,102	-0.06%	17,112	17,265
DAX	⬆	14,923	0.76%	14,810	14,923
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	⬆	15,730	0.64%	15,630	15,730
Resources	⬇	54,249	-1.50%	55,074	54,249
Industrials	⬆	94,390	0.70%	93,735	94,390
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	⬇	18.54	-0.57%	18.65	18.52
N\$/Pound	⬇	22.52	-0.60%	22.66	22.56
N\$/Euro	⬇	19.59	-0.65%	19.72	19.62
US dollar/ Euro	⬇	1.057	-0.08%	1.058	1.060
		Namibia		RSA	
<b>Interest Rates &amp; Inflation</b>		<b>Oct 23</b>	<b>Sep 23</b>	<b>Oct 23</b>	<b>Sep 23</b>
Central Bank Rate	➡	7.75	7.75	8.25	8.25
Prime Rate	➡	11.50	11.50	11.75	11.75
		<b>Sep 23</b>	<b>Aug 23</b>	<b>Sep 23</b>	<b>Aug 23</b>
Inflation	⬆	5.4	4.7	5.4	4.8

#### 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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