

The Daily Brief



Capricorn Asset Management

Market Update

Friday, 03 November 2023



Global Markets

Stocks were headed for their biggest weekly rise in a year on Friday, while bonds rallied and the dollar was on the back foot as investors cheered a pause in U.S. interest rate hikes. U.S. jobs data due later in the day is the next major focus. Benchmark 10-year Treasury yields are down more than 20 basis points in two sessions since the U.S. Federal Reserve left rates on hold on Wednesday and Chair Jerome Powell said risks to the outlook for rates settings were balanced.

Cash Treasuries were untraded in Asia owing to a holiday in Japan, and 10-year futures TNc1 held recent gains to imply yields were steady at 4.67%. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.9%. S&P 500 futures were 0.1% lower, weighed by a 3% fall for Apple shares in post-market trade after the tech giant's sales forecast fell short of expectations. European futures rose 0.4%. World stocks are up 4.3% for the week so far, their largest weekly rise since November 2022.

"Markets have become increasingly confident that rates in the U.S. have now peaked," said ANZ analysts in a note. "As logical as that is ... Powell did warn that for higher bond yields to forestall another hike, they'd need to stay high, so markets can't have their proverbial cake and eat it too." The U.S. Treasury Department had also said on Wednesday that it would sell less longer-dated debt

at auction than had been expected and a softer-than-forecast manufacturing survey helped reinforce bets that no further hikes are necessary. On Thursday, the Bank of England also left interest rates on hold and stressed it did not expect to cut them any time soon.

Ten-year gilts had their sharpest rally in more than a month, sending yields almost 12 basis points lower to 4.39%. Ten-year German bund yields also fell on Thursday, though only by 4.6 bps to 2.71%. "It felt like there was a decent chunk of investors waiting on the sidelines and ready to play lower yields and yesterday removed a couple of potential stumbling blocks to enacting that view," said Rabobank analysts. In foreign exchange markets, the Australian and New Zealand dollars look set to turn in their strongest weekly gains since July, with rises of 1.5% and 1.6% so far.

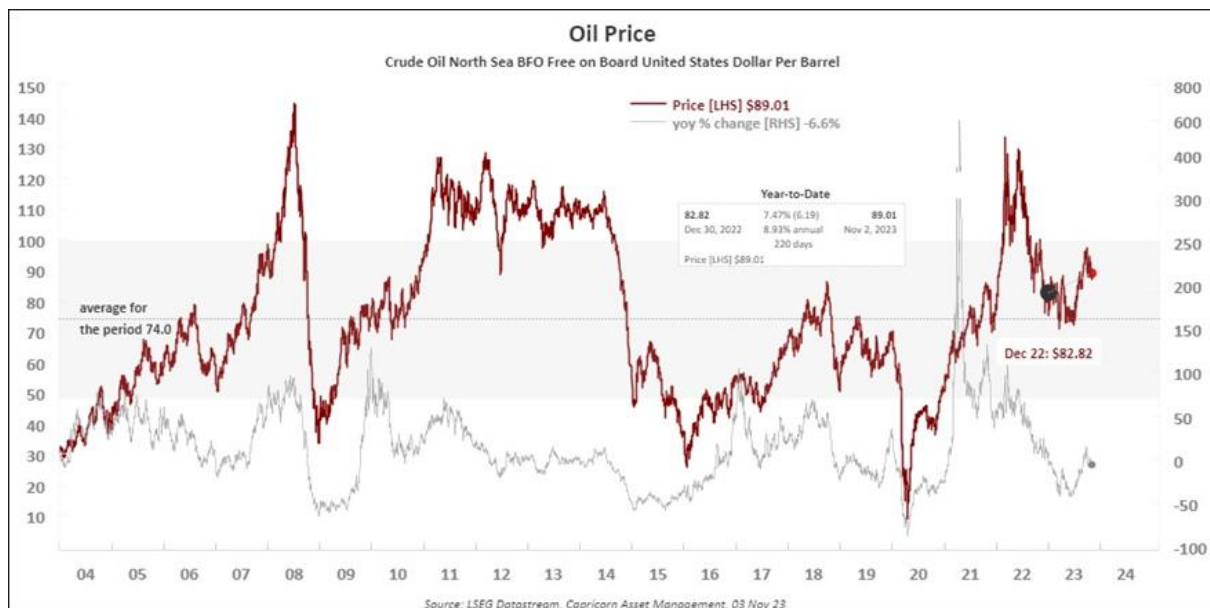
The Aussie, steady at \$0.6413 on Friday, has been helped by a third-quarter inflation surprise that has traders betting on a rate hike from the Reserve Bank of Australia (RBA) on Tuesday and the kiwi is rising with the tide. "From here on, AUD's downside may be limited as we expect the extensive set of policy support from Chinese authorities to help support the yuan and hence by extension, the AUD," said strategists at Singapore's UOB.

"In addition, broad USD weakness as the Fed ends its rate hike cycle is likely to spur an AUD/USD recovery." The next catalyst for currency movements is likely to be U.S. jobs data. Economists polled by Reuters expect the U.S. to have added 180,000 jobs in October. The worst performing G10 currencies for the week have been the havens of the Japanese yen and the Swiss franc as investors have sought out riskier assets.

The Bank of Japan will continue to dismantle its ultra-easy monetary policy next year, six sources familiar with the BOJ's thinking told Reuters, though the slow progress has been cold comfort for a yen weighed down by Japan's low-interest rates. It traded steady at 150.28 per dollar on Friday. Brent crude futures are 3.7% lower on the week to \$87.10 a barrel. Gold is down 1% at \$1,986 an ounce.

Bitcoin, meanwhile, looks to be reviving momentum that had collapsed along with exchange FTX in 2022. FTX founder Sam Bankman-Fried was found guilty of stealing from customers on Thursday. There was no immediate market reaction, leaving Bitcoin to hold steep recent gains at \$34,450.

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand jumped on Thursday against a weaker U.S. dollar as risk sentiment improved after the Federal Reserve left interest rates unchanged, analysts said. At 1504 GMT, the rand traded at 18.4300 against the dollar, about 0.5% stronger than its previous close. The rand had gained as much as 1% earlier in the day.

The dollar was last down about 0.38% against a basket of global currencies. On Wednesday, the Fed announced its decision to keep interest rates unchanged, weakening the dollar as investors perceived that the U.S. central bank may be done raising rates. The risk-sensitive rand often takes cues from global factors like U.S. monetary policy in addition to local drivers.

The rand rallied on Thursday as investors bought into riskier assets, said Casparus Treurnicht, portfolio manager at Gryphon Asset Management. "Since the Fed did not increase rates last night some investors were relieved, causing stocks and bonds to rally. The rand benefits from this as the dollar's safe haven status is not needed for the time being," Treurnicht said.

On the Johannesburg Stock Exchange, the blue-chip Top-40 index closed up 2.43%, while the broader all-share index was 2.36% higher. South Africa's benchmark 2030 government bond was stronger, with the yield down 2 basis points at 10.365%.

Source: Thomson Reuters Refinitiv

It takes an endless amount of history to make even a little tradition.

Henry James

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				03 November 2023	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	→	8.46	0.000	8.46	8.46
6 months	→	8.60	0.000	8.60	8.60
9 months	↓	8.65	-0.017	8.67	8.65
12 months	↓	8.62	-0.067	8.69	8.62
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	↓	8.27	-0.180	8.45	8.26
GC25 (Coupon 8.50%, BMK R186)	↓	9.07	-0.180	9.25	9.07
GC26 (Coupon 8.50%, BMK R186)	↓	8.38	-0.180	8.56	8.38
GC27 (Coupon 8.00%, BMK R186)	↓	8.90	-0.180	9.08	8.90
GC28 (Coupon 8.50%, BMK R2030)	↓	9.39	-0.200	9.59	9.39
GC30 (Coupon 8.00%, BMK R2030)	↓	9.93	-0.200	10.13	9.93
GC32 (Coupon 9.00%, BMK R213)	↓	10.60	-0.215	10.81	10.60
GC35 (Coupon 9.50%, BMK R209)	↓	11.14	-0.210	11.35	11.15
GC37 (Coupon 9.50%, BMK R2037)	↓	11.99	-0.215	12.20	11.99
GC40 (Coupon 9.80%, BMK R214)	↓	11.82	-0.220	12.04	11.82
GC43 (Coupon 10.00%, BMK R2044)	↓	11.91	-0.215	12.13	11.92
GC45 (Coupon 9.85%, BMK R2044)	↓	12.43	-0.215	12.65	12.44
GC48 (Coupon 10.00%, BMK R2048)	↓	12.42	-0.215	12.64	12.43
GC50 (Coupon 10.25%, BMK: R2048)	↓	12.27	-0.215	12.49	12.28
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)	→	4.71	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
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,986	0.17%	1,982	1,987
Platinum	↓	920	-0.05%	921	924
Brent Crude	↑	86.9	2.62%	84.6	87.0
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,567	3.51%	1,514	1,567
JSE All Share	↑	71,384	2.36%	69,740	71,384
SP500	↑	4,318	1.89%	4,238	4,318
FTSE 100	↑	7,447	1.42%	7,342	7,447
Hangseng	↑	17,231	0.75%	17,102	17,633
DAX	↑	15,144	1.48%	14,923	15,144
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	16,373	4.09%	15,730	16,373
Resources	↑	54,867	1.14%	54,249	54,867
Industrials	↑	96,487	2.22%	94,390	96,487
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	18.41	-0.72%	18.54	18.38
N\$/Pound	↓	22.46	-0.29%	22.52	22.44
N\$/Euro	↓	19.55	-0.23%	19.59	19.54
US dollar/ Euro	↑	1.062	0.49%	1.057	1.063
		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
		Sep 23	Aug 23	Sep 23	Aug 23
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

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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