

The Daily Brief

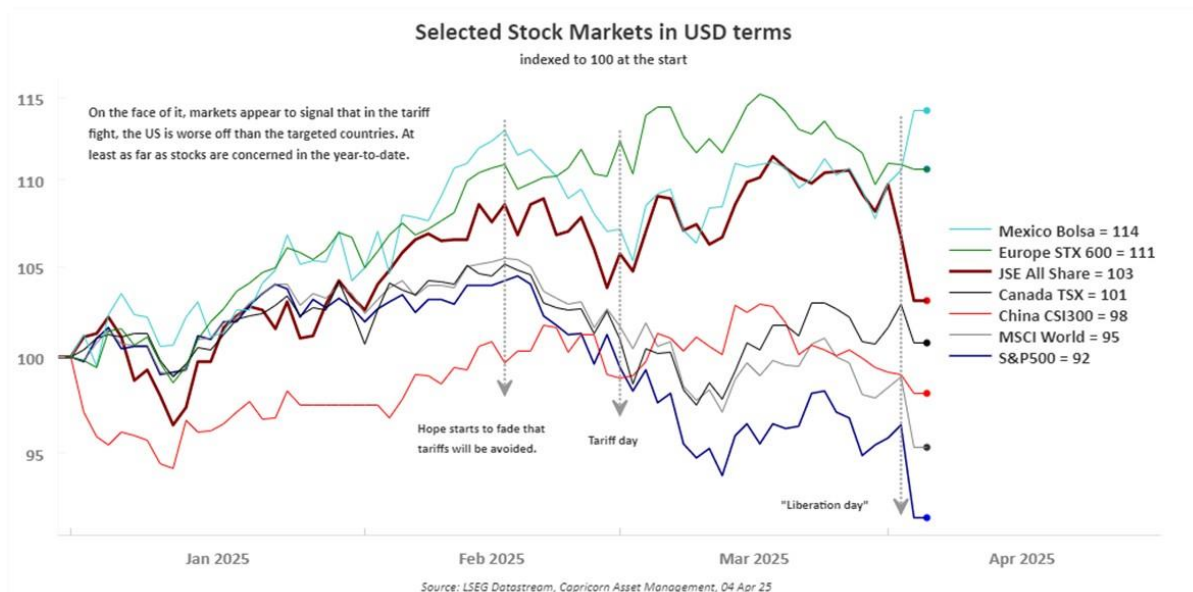


Capricorn Asset Management

Market Update

Friday, 04 April 2025

Global Markets



Japanese banks tanked on Friday and stocks globally extended a punishing selloff in the wake of U.S. President Donald Trump's sweeping tariffs, helping drive a rally in U.S. Treasuries and supporting gold near a record peak. Benchmark 10-year U.S. Treasury yields slid under 4% and traders priced in more than 100 basis points of Federal Reserve rate cuts this year after Washington's steepest trade barriers in more than 100 years stoked fears of a global recession.

A rush into Japanese government bonds (JGBs) caused yields there to head for what could be their biggest weekly drop in three decades as growth worries turned to a manic bid for safety. "If the current slate of tariffs holds, a Q2 or Q3 recession is very possible, as is a bear market. The question is, does President Trump seek some sort of off-ramp for these policies if and when we see a bear market in the stock market. We believe Trump will then pivot to focus on the number of companies that are making significant investments in the U.S., but it's unclear that would reverse market sentiment."

It was a sea of red in Asia, even with markets in China, Hong Kong and Taiwan closed for a holiday. Japanese shares were among the largest losers. The Nikkei was set for an eye-watering weekly decline of 9%, the sharpest drop in more than five years. Their losses came on the heels of massive

falls in U.S. banks overnight. Citigroup fell over 12%, while Bank of America sank 11%. Morgan Stanley, Goldman Sachs and Wells Fargo fell over 9% each.

The rout in Japan was led by banking stocks, as the spectre of Trump's tariffs and their potential impact on economic growth stoked speculation that the Bank of Japan (BOJ) may need to delay raising interest rates. The banking index dived 11% at one point, making it the worst performer and triggering circuit breakers. Trump's latest tariff salvo has sparked an investor stampede for safe havens such as government bonds, the yen and gold, as they hastily dumped risk assets.

S&P 500 companies lost a combined \$2.4 trillion in stock market value overnight, their biggest one-day loss since the coronavirus pandemic hit global markets on March 16, 2020, while other Wall Street indexes similarly suffered sharp falls. The declines looked set to continue into Friday as U.S. stock futures pointed to further weakness. European futures showed weakness there would persist. U.S. Treasury yields slid as investors poured into the safe-haven bonds. Bond yields move inversely to prices. The benchmark 10-year Treasury yield struck a six-month low of 3.9680%, while the two-year yield bottomed at 3.6090%, also its lowest level since October.

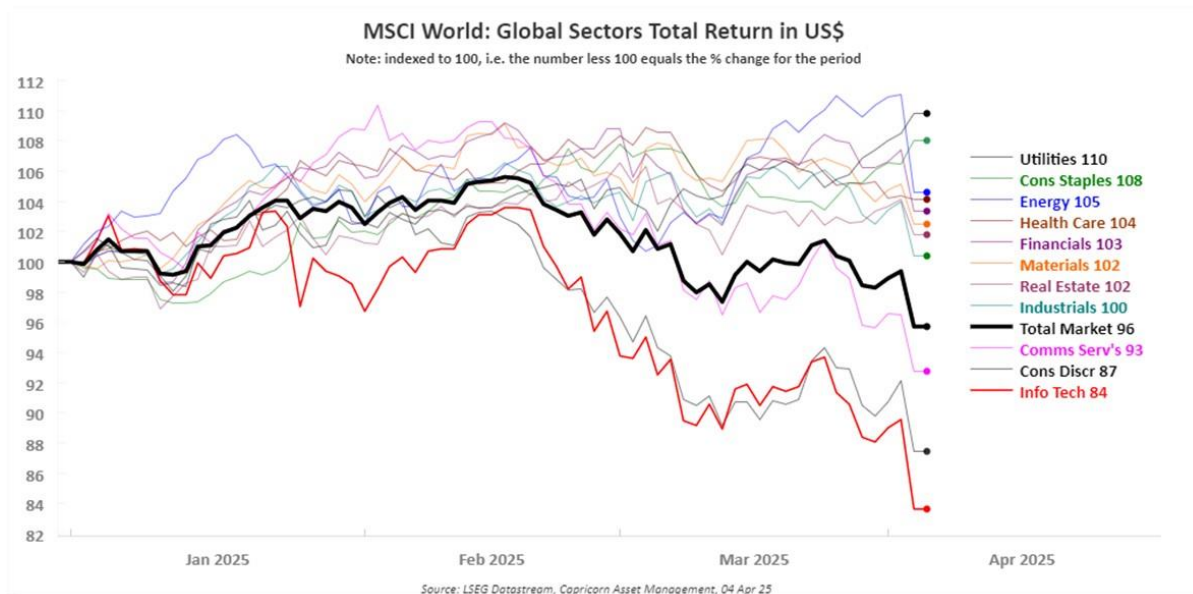
"Central banks are not well-equipped to deal with stagflation as the impacts of slower growth and higher inflation pull policy in opposing directions. This means that stronger core inflation is likely to limit the extent of any policy response from the Fed due to the headwinds created for growth" said David Doyle, head of economics at Macquarie Group. Fed Chair Jerome Powell is due to speak later on Friday and investors will be looking out for his latest assessment of the U.S. economy and any clues on the policy outlook following Trump's fresh tariff salvo.

In currency markets, the dollar fell 0.05% against the yen to 146.03, having tumbled 2.2% in the previous session, its steepest daily fall in more than two years. The euro rose 0.13% to \$1.1065 after a 1.9% jump on Thursday.

Elsewhere, spot gold was not far from a record high at \$3,101.35 an ounce and was on track for a fifth straight weekly gain, as worries about the impact of Trump's tariffs on the global economy boosted the metal's safe-haven appeal.

Oil, a proxy for economic activity, extended its steep decline from the previous session.

Source: LSEG Thomson Reuters Refinitiv.



Domestic Markets

South African assets remained under pressure on Thursday after being hit by a double-whammy of U.S. President Donald Trump's announcement of new and higher tariffs and a contentious budget vote that has threatened the ruling coalition's future. The risk-sensitive rand traded at 18.76 against the dollar by 1511 GMT. It hit 19.0150 per dollar earlier in the day, its weakest level since mid-January.

On Wednesday, Trump announced a 10% baseline tariff on all imports to the United States, and higher duties on dozens of countries, including South Africa, which was hit with a 31% rate. Trump said the tariffs were a response to duties and other non-tariff barriers put on U.S. goods. The cost of insuring South Africa's debt against default rose to its highest since late April last year, up 16 basis points from Wednesday's close to reach 254 basis points, according to data from S&P Global Market Intelligence. South Africa's presidency said it urgently wanted a new trade deal with the United States. Major South African exports to the U.S. include vehicles and auto parts, precious stones and metals, iron and steel, machinery and aluminium products and citrus.

On the Johannesburg stock market, the Top 40 index closed 3.3% lower.

Source: LSEG Thomson Reuters Refinitiv.

Our greatest weakness lies in giving up. The most certain way to succeed is always to try just one more time.

Thomas A. Edison

Market Overview

MARKET INDICATORS (Bloomberg)				04 April 2025	
Money Market TB's		Last Close	Change	Prev Close	Current Spot
3 months	↑	7.54	0.028	7.51	7.54
6 months	↑	7.60	0.012	7.59	7.60
9 months	↑	7.67	0.056	7.61	7.67
12 months	↑	7.74	0.018	7.72	7.74
Nominal Bonds		Last Close	Change	Prev Close	Current Spot
GC25 (Coupon 8.50%, BMK: R186)	↓	7.23	-0.051	7.28	6.75
GC26 (Coupon 8.50%, BMK: R186)	↑	8.52	0.083	8.44	8.52
GC27 (Coupon 8.00%, BMK: R186)	↑	8.55	0.038	8.51	8.55
GC30 (Coupon 8.00%, BMK: R2030)	↑	9.18	0.070	9.11	9.18
GC32 (Coupon 9.00%, BMK: R213)	↑	9.86	0.112	9.75	9.86
GC35 (Coupon 9.50%, BMK: R209)	↑	11.22	0.072	11.15	11.22
GC37 (Coupon 9.50%, BMK: R2037)	↑	11.49	0.041	11.45	11.50
GC40 (Coupon 9.80%, BMK: R214)	↑	11.91	0.184	11.73	11.91
GC43 (Coupon 10.00%, BMK: R2044)	↑	12.03	0.284	11.75	12.03
GC45 (Coupon 9.85%, BMK: R2044)	↑	11.98	0.131	11.85	11.98
GC48 (Coupon 10.00%, BMK: R2048)	↑	12.00	0.120	11.88	12.00
GC50 (Coupon 10.25%, BMK: R2048)	↑	12.07	0.134	11.94	12.07
Inflation-Linked Bonds		Last Close	Change	Prev Close	Current Spot
GI25 (Coupon 3.80%, BMK: NCPI)	↑	3.39	0.009	3.38	3.38
GI27 (Coupon 4.00%, BMK: NCPI)	↑	4.45	0.001	4.45	4.45
GI29 (Coupon 4.50%, BMK: NCPI)	↑	4.67	0.002	4.66	4.67
GI33 (Coupon 4.50%, BMK: NCPI)	↑	5.30	0.000	5.30	5.30
GI36 (Coupon 4.80%, BMK: NCPI)	↓	5.64	-0.003	5.64	5.64
Commodities		Last Close	Change	Prev Close	Current Spot
Gold	↓	3,115	-0.60%	3,134	3,098
Platinum	↓	952	-2.61%	977	946
Brent Crude	↓	70.1	-6.42%	74.95	68.78
Main Indices		Last Close	Change	Prev Close	Current Spot
NSX Local Index	↓	952	-4.61%	998	952
JSE All Share	↓	85,087	-1.16%	86,083	85,087
S&P 500	↓	5,397	-4.83%	5,671	5,397
FTSE 100	↓	8,408	-0.79%	8,475	8,408
Hangseng	↓	22,850	-1.52%	23,203	22,850
DAX	↓	21,606	-0.51%	21,717	21,606
JSE Sectors		Last Close	Change	Prev Close	Current Spot
Financials	↓	18,771	-5.04%	19,767	18,425
Resources	↓	68,300	-2.68%	70,181	66,544
Industrials	↓	122,018	-2.47%	125,112	122,007
Forex		Last Close	Change	Prev Close	Current Spot
N\$/US Dollar	↓	18.73	-0.85%	18.89	19.06
N\$/Pound	↓	24.53	-0.16%	24.57	24.87
N\$/Euro	↑	20.70	0.98%	20.50	21.05
US Dollar/ Euro	↑	1.105	1.38%	1.09	1.10
		Namibia		RSA	
Interest Rates & Inflation		Feb-25	Jan-25	Feb-25	Jan-25
Central Bank Rate	↓	6.75	7.00	7.50	7.75
Prime Rate	↓	10.50	10.75	11.00	11.00
		Feb-25	Jan-25	Feb-25	Jan-25
Inflation	↑	3.6	3.2	3.2	3.2

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.



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**