Market Update — Monday, 04 December 2023

Global Markets

Asian shares were mixed on Monday while gold spiked to all-time peaks above $2,100 at the start of a busy week for economic data that will test market wagers for early and aggressive rate cuts from major central banks next year. In particular, the U.S. November payrolls report on Friday needs to be solid enough to support the soft-landing scenario, but not so strong as to threaten the chance of easing. Median forecasts are for payrolls to rise 180,000, keeping unemployment steady at 3.9%.

Many analysts suspect risks are to the upside, with Goldman Sachs tipping 238,000 including a chunk of workers returning from strikes, and a jobless rate of 3.8%. There was also still a risk the Israel-Hamas war could widen into a broader conflict with three commercial vessels coming under attack in the southern Red Sea.

MSCI's broadest index of Asia-Pacific shares outside Japan was still up 0.4%, led by gains in South Korea and Australia. Japan's Nikkei dipped 0.4% as the yen extended recent gains. Chinese blue chips eased 0.2%, while the country's central bank set another firm fix for the yuan. Trade figures for China are due later in the week with the recent trend being softening exports to the U.S. overshadowing gains in Asia.

EUROSTOXX 50 futures and FTSE futures were a fraction firmer. S&P 500 futures dipped 0.1%, after finishing at a 20-month high on Friday, while Nasdaq futures lost 0.2%. The S&P 500 is up 19% for the year so far and just 4% away from its all-time peak. The latest surge was stoked by wagers the next move by the Federal Reserve will be to cut rates, with Fed Chair Jerome Powell on Friday declining the opportunity to push back hard against aggressive market pricing. Futures now imply a 71% chance the Fed will ease as soon as March, up from 21% a week ago, and are pricing in around 135 basis points of cuts for all of 2024.

The turnaround in Treasuries has been nothing short of astonishing as two-year yields fell 41 basis points in just a week, the best performance since the mini-crisis in U.S. banks back in March. So it was no surprise that some profit-taking emerged on Monday and nudged yields on 10-year notes up to 4.24%, still a long way from the October top of 5.02%.

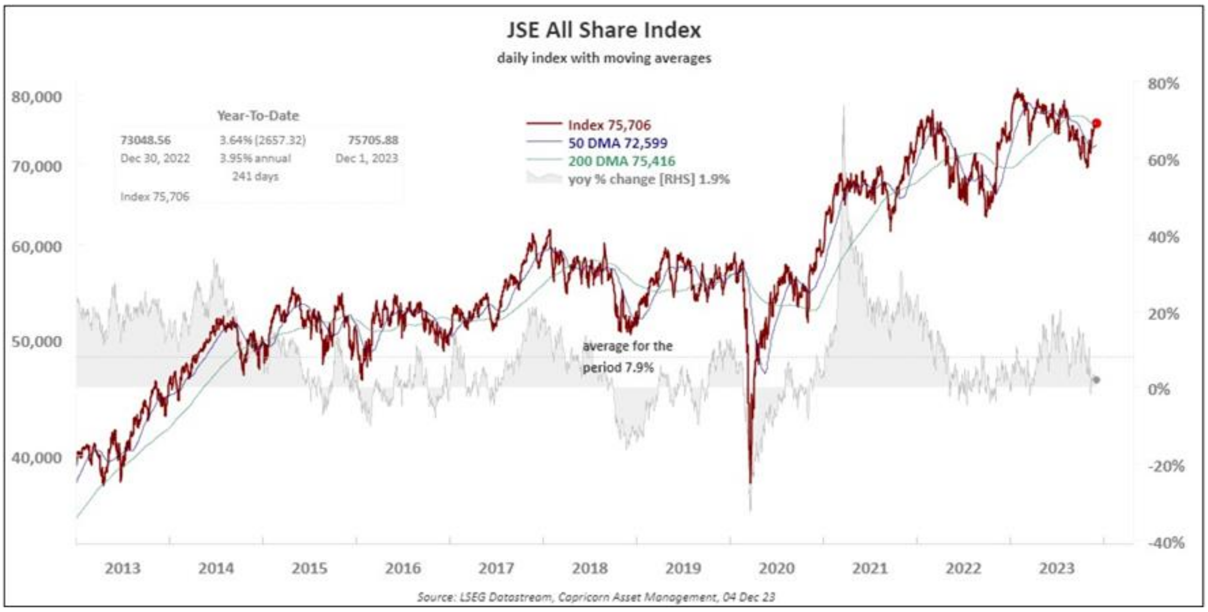
"Our baseline scenario is for a soft landing for the U.S. economy, with positive but below-potential sequential growth for the next six quarters," said BofA global economist Claudio Irigoyen. "Starting in June we expect the Fed to start cutting rates by 25bp per quarter until reaching a terminal rate of 3% in 2026," he added. "Our year-end 2024 U.S. rate forecasts for two- year and 10-year Treasuries are 4.00% and 4.25%, bringing an end to the yield curve inversion." Such an outlook should also be positive for emerging markets, with BofA noting returns in the 12 months after the last Fed hike tend to be highly positive with EM equities averaging around 10% and total EM bond returns even higher.

Central bank meetings in Canada and Australia this week are both expected to see rates there unchanged. The tumble in Treasury yields in turn pulled the rug out from under the dollar, particularly on the yen where it slid 1.8% last week and was last down at 146.56. Speculation about an eventual unwinding of the Bank of Japan's super-easy policies has added to the pressure on yen carry trades and could carry the Japanese currency back to its July highs around 138.00.

The euro had also been climbing but suffered a reversal last week when surprisingly soft inflation data led markets to price in a March rate cut from the European Central Bank. The ever-hawkish Bundesbank President Joachim Nagel pushed back against the doves in an interview over the weekend, but with inflation subsiding so fast markets figure the ECB will have to ease just to stop real rates from rising. ECB President Christine Lagarde will have her own chance to comment in a speech and Q&A later on Monday.

The dive in yields and the dollar has been a boon for non-yielding gold, which added 0.9% to $2,088 an ounce, after hitting a record of $2,111.39 an ounce. Oil prices have not been so fortunate, amid doubts OPEC+ will be able to maintain planned output cuts. At the same time, U.S. oil production is at record levels above 13 million barrels a day and rig counts are still rising. The attacks on shipping in the Red Sea offered only fleeting support and Brent eased 17 cents to $78.71 a barrel, while U.S. crude fell 12 cents to $73.95.

Source: Thomson Reuters Refinitiv



Domestic Markets

South Africa's rand strengthened against the dollar on Friday, reversing its losses from the previous day, as U.S. Federal Reserve Chair Jerome Powell said the Fed would move "carefully" on interest rates. At 1619 GMT, the rand traded at 18.6150 against the dollar, about 1.2% stronger than its previous close. The dollar was last trading flat against a basket of global currencies, after falling in the wake of Powell's comments. Powell reaffirmed the U.S. central bank's intent to be cautious in its upcoming monetary policy decisions, but also said it was too early to declare the Fed's inflation fight finished.

South Africa handed state-owned rail and ports firm Transnet a 47 billion rand ($2.5 billion) lifeline on Friday, which it said would help Transnet meet its immediate debt obligations. Transnet's single $1 billion international bond, which matures in 2028, rose on the news, with its price up as much as 1.8 cents to 98.9 cents, its highest price since Aug. 1 according to Tradeweb data. The logistics utility's underperformance has impacted commodity exports and other sectors such as manufacturing and retail, weakening Africa's most advanced economy.

On the stock market, both the Top-40 index and the broader all-share index ended the day about 0.2% higher. South Africa's benchmark 2030 government bond was unchanged, with the yield at 9.980%.
Source: Thomson Reuters Refinitiv

Failure will never overtake me if my determination to succeed is strong enough.
Og Mandino

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)					04 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	⬆	8.59	0.017	8.57	8.59
12 months	⬆	8.50	0.025	8.47	8.50
Nominal Bond Yields %		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC24 (Coupon 10.50%, BMK R186)	⬇	8.00	-0.010	8.01	8.00
GC25 (Coupon 8.50%, BMK R186)	⬇	8.81	-0.010	8.82	8.81
GC26 (Coupon 8.50%, BMK R186)	⬇	8.12	-0.010	8.13	8.12
GC27 (Coupon 8.00%, BMK R186)	⬇	8.64	-0.010	8.65	8.64
GC28 (Coupon 8.50%, BMK R2030)	➡	9.00	0.000	9.00	9.00
GC30 (Coupon 8.00%, BMK R2030)	➡	9.54	0.000	9.54	9.54
GC32 (Coupon 9.00%, BMK R213)	⬇	10.16	-0.005	10.17	10.16
GC35 (Coupon 9.50%, BMK R209)	⬆	10.81	0.005	10.80	10.80
GC37 (Coupon 9.50%, BMK R2037)	⬆	11.64	0.005	11.63	11.63
GC40 (Coupon 9.80%, BMK R214)	⬆	11.60	0.030	11.57	11.59
GC43 (Coupon 10.00%, BMK R2044)	⬆	11.63	0.020	11.61	11.62
GC45 (Coupon 9.85%, BMK R2044)	⬆	12.15	0.020	12.13	12.14
GC48 (Coupon 10.00%, BMK R2048)	⬆	12.13	0.020	12.11	12.13
GC50 (Coupon 10.25%, BMK: R2048)	⬆	11.98	0.020	11.96	11.98
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	⬆	2,071	1.73%	2,036	2,090
Platinum	⬆	932	0.59%	927	931
Brent Crude	⬇	78.9	-4.77%	82.8	78.4
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	⬆	1,651	2.13%	1,617	1,651
JSE All Share	⬆	75,706	0.23%	75,534	75,706
SP500	⬆	4,595	0.59%	4,568	4,595
FTSE 100	⬆	7,529	1.01%	7,454	7,529
Hangseng	⬇	16,830	-1.25%	17,043	16,749
DAX	⬆	16,398	1.12%	16,215	16,398
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	⬆	17,006	0.23%	16,967	17,006
Resources	⬆	59,653	2.31%	58,304	59,653
Industrials	⬇	102,227	-1.21%	103,477	102,227
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	⬇	18.63	-1.19%	18.85	18.63
N$/Pound	⬇	23.67	-0.53%	23.79	23.62
N$/Euro	⬇	20.27	-1.23%	20.52	20.25
US dollar/ Euro	⬇	1.088	-0.05%	1.089	1.087
		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.

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