

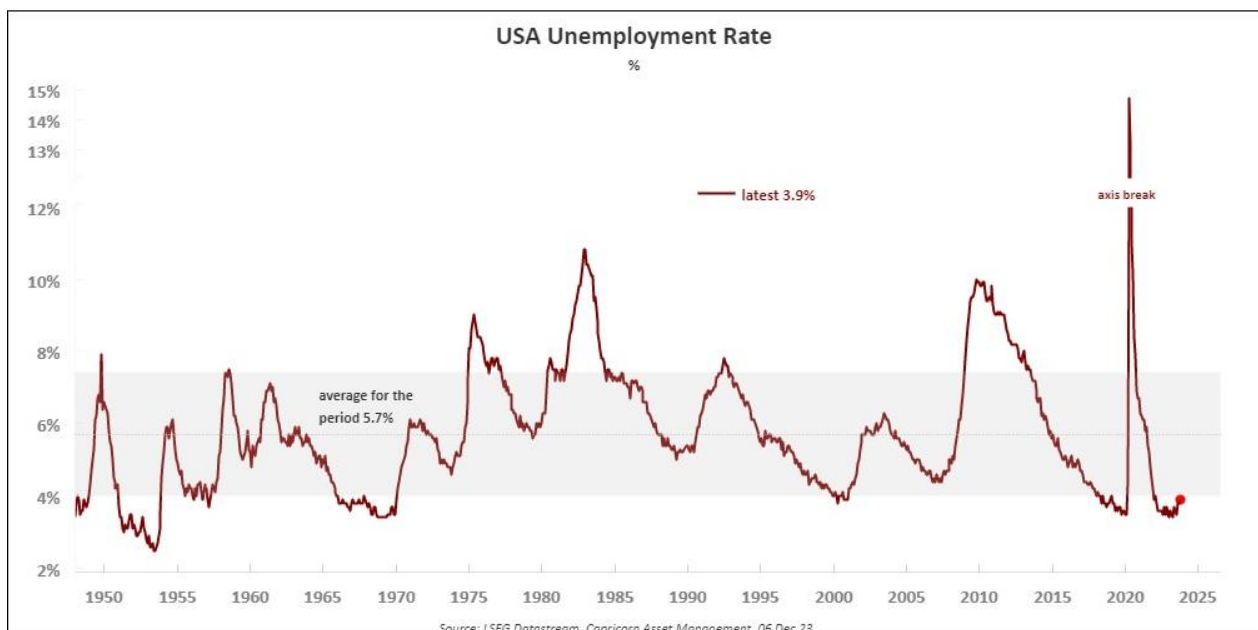
The Daily Brief



Capricorn Asset Management

Market Update

Wednesday, 06 December 2023



Global Markets

Asia-Pacific equities gained on Wednesday as bets firmed for a peak in interest rates among major central banks globally, as bond yields continued to decline. Japanese government bond yields dipped to the lowest since mid-August as U.S. Treasury yields hovered close to a three-month trough. Meanwhile, crude oil sank to a nearly five-month low, while bullion held steady after dropping back from an all-time high. Bitcoin traded just below \$44,000 following its surge this week to a 20-month peak.

U.S. 10-year Treasury yields held steady at around 4.186% after touching 4.163% on Tuesday as cooling labour market data cemented views that the Federal Reserve is done hiking rates, with bets on a first cut coming by March now at around 64%, according to the CME Group's FedWatch tool. Benchmark JGBs yields slid in sympathy, reaching the lowest since Aug. 16 at 0.62%. Lower borrowing costs boosted equity markets, with big tech a particular beneficiary.

Japan's Nikkei surged 1.6%, rebounding from Tuesday's mid-November low, while Australia's stock benchmark jumped 1.4% and South Korea's KOSPI added 0.56%. U.S. stock futures also pointed

higher, with the tech-heavy Nasdaq indicated up 0.4% following a 0.31% advance overnight for the cash index S&P 500 futures rose 0.26%, after the cash index ended Tuesday flat.

Overnight, U.S. jobs figures came in softer than expected, but coupled with robust services data, added to the narrative for a soft landing for the economy as the Fed shifts to monetary easing, analysts said. The "selloff in yields across the curve is strong evidence of the intense focus the market has on this week's labour market data," with the ADP employment report due later on Wednesday and non-farm payrolls on Friday, said IG analyst Tony Sycamore. For the Nasdaq, "although we remain bullish into year-end, we are not contemplating opening fresh longs at these levels," Sycamore added, recommending buying on dips instead.

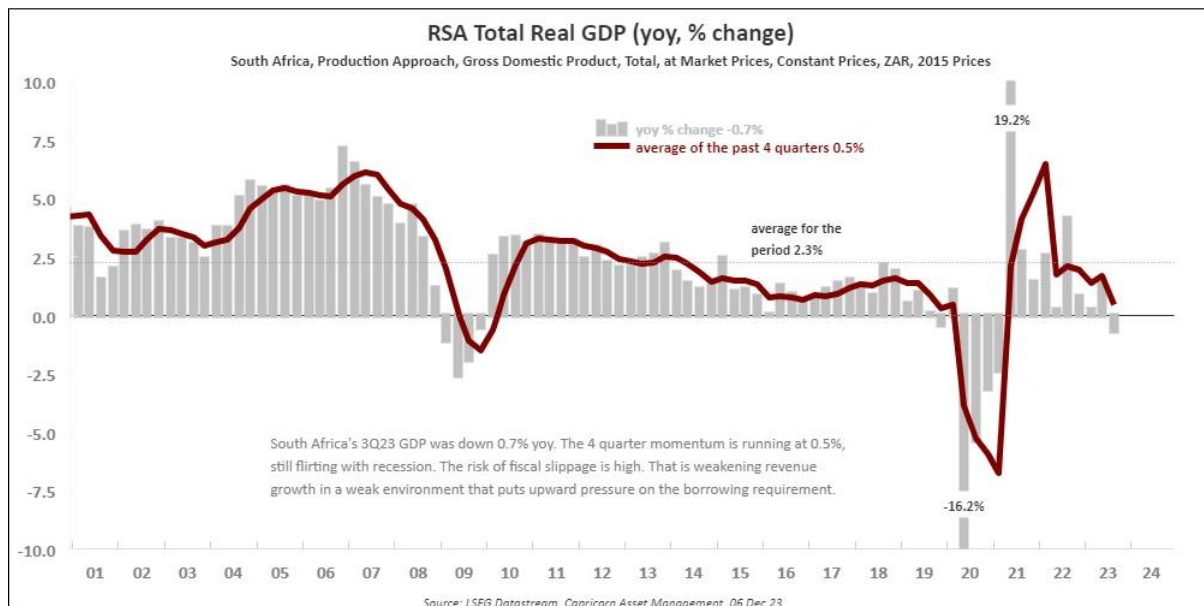
Chinese equities underperformed on Wednesday, with sentiment fragile after ratings agency Moody's slapped a downgrade warning on China's credit rating. Hong Kong's Hang Seng rose 0.41%, supported mainly by a rally in tech, with a sector subindex climbing about 1%. Mainland Chinese blue chips were flat.

With markets all but certain the Fed's next move is a cut, dovish rhetoric from European Central Bank officials overnight and the Reserve Bank of Australia's decision to hold policy steady on Tuesday have stoked bets for a peak in rates globally. The Bank of Canada is widely expected to adopt a wait-and-see attitude later on Wednesday as well. That has supported the U.S. currency's rebound from last week's nearly four-month low versus major peers, with the U.S. dollar index steady at around 103.95 on Wednesday, compared with a trough of 102.46 a week ago.

"The USD weakened when the Federal Reserve looked like they were cutting while other central banks were holding tight," said James Kniveton, a senior corporate FX dealer at Convera in Melbourne. "Now that looks to be changing, and other central banks are following the Fed's lead." The dollar added 0.08% to 147.265 yen, while the euro was little changed at \$1.07935.

Gold was flat just below \$2,020, catching its breath following its surge to a record \$2,135.40 on Monday. Bitcoin was steady at around \$43,850 after pushing as high as \$44,490 overnight, buoyed by both Fed rate cut expectations and speculation U.S. regulators will soon approve exchange-traded spot bitcoin funds. Crude eased further on Wednesday, weighed down by the worsening demand outlook from China, and doubts about the impact of OPEC cuts. Brent crude futures fell 8 cents, or 0.1%, to \$77.12 a barrel, while U.S. WTI crude futures were down 13 cents, or 0.2%, at \$72.19 a barrel. Both benchmarks closed at their lowest since July 6 in the previous session.

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand fell on Tuesday as third-quarter gross domestic product (GDP) contracted slightly more than expected and the U.S. dollar rose on global markets. At 1615 GMT, the rand traded at 18.9950 against the dollar, around 1% weaker than its previous close. The dollar last traded around 0.2% stronger against a basket of global currencies.

Q3 GDP contracted 0.2% quarter-on-quarter in seasonally adjusted terms and 0.7% year-on-year, versus expectations for a quarter-on-quarter decline of 0.1% and 0.2% annually. The latest figures mean Africa's most industrialised economy grew just 0.3% in the first nine months of the year, further evidence that its economic recovery from the COVID-19 pandemic has been among the worst in emerging markets. A PMI survey on Tuesday also showed South African private sector business activity flatlined in November, with a cooling of price pressures counteracted by supply chain disruptions due to a port crisis.

On the Johannesburg Stock Exchange, the blue-chip Top-40 index ended down 1.1%. South Africa's benchmark 2030 government bond weakened, with the yield up 5 basis points to 10.01%.

Source: Thomson Reuters Refinitiv

Whenever you do a thing, act as if all the world were watching.

Thomas Jefferson

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				06 December 2023	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↑	8.48	0.008	8.47	8.48
6 months	→	8.58	0.000	8.58	8.58
9 months	↓	8.58	-0.009	8.59	8.58
12 months	↑	8.54	0.034	8.50	8.54
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	↑	8.04	0.060	7.98	8.04
GC25 (Coupon 8.50%, BMK R186)	↑	8.85	0.060	8.79	8.85
GC26 (Coupon 8.50%, BMK R186)	↑	8.16	0.060	8.10	8.16
GC27 (Coupon 8.00%, BMK R186)	↑	8.68	0.060	8.62	8.68
GC28 (Coupon 8.50%, BMK R2030)	↑	9.03	0.050	8.98	9.03
GC30 (Coupon 8.00%, BMK R2030)	↑	9.57	0.050	9.52	9.57
GC32 (Coupon 9.00%, BMK R213)	↑	10.17	0.040	10.13	10.17
GC35 (Coupon 9.50%, BMK R209)	↑	10.86	0.060	10.80	10.86
GC37 (Coupon 9.50%, BMK R2037)	↑	11.68	0.050	11.63	11.68
GC40 (Coupon 9.80%, BMK R214)	↑	11.66	0.070	11.59	11.66
GC43 (Coupon 10.00%, BMK R2044)	↑	11.70	0.070	11.63	11.70
GC45 (Coupon 9.85%, BMK R2044)	↑	12.22	0.070	12.15	12.22
GC48 (Coupon 10.00%, BMK R2048)	↑	12.21	0.075	12.13	12.21
GC50 (Coupon 10.25%, BMK: R2048)	↑	12.06	0.075	11.98	12.06
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	↓	2,019	-0.51%	2,030	2,023
Platinum	↓	899	-1.92%	917	901
Brent Crude	↓	77.2	-1.06%	78.0	77.2
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,620	-1.49%	1,645	1,620
JSE All Share	↓	75,215	-0.96%	75,941	75,215
SP500	↓	4,567	-0.06%	4,570	4,567
FTSE 100	↓	7,490	-0.31%	7,513	7,490
Hangseng	↓	16,328	-1.91%	16,646	16,444
DAX	↑	16,533	0.78%	16,405	16,533
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	16,994	-0.55%	17,088	16,994
Resources	↓	56,940	-2.23%	58,237	56,940
Industrials	↓	103,498	-0.56%	104,081	103,498
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	18.94	0.76%	18.80	18.92
N\$/Pound	↑	23.86	0.50%	23.74	23.86
N\$/Euro	↑	20.45	0.38%	20.37	20.43
US dollar/ Euro	↓	1.080	-0.38%	1.084	1.080
		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 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

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