

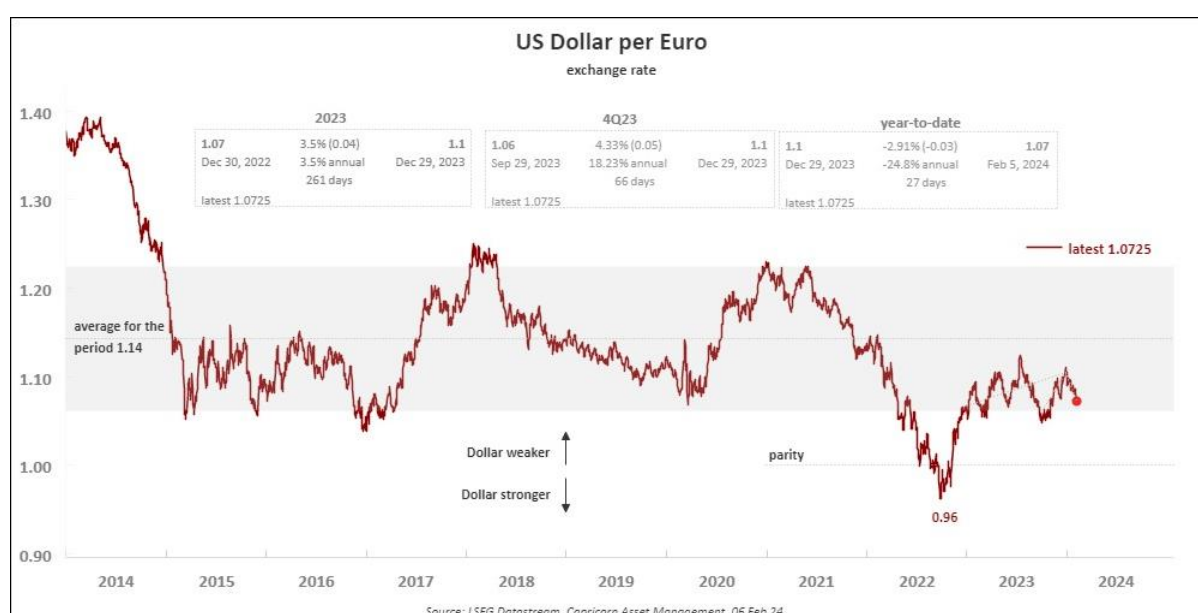


The Daily Brief

 Capricorn Asset Management

Market Update

Tuesday, 06 February 2024



Global Markets

Asian shares edged up on Tuesday thanks to a bounce in battered Chinese markets, but elsewhere investors were cautious amid diminishing expectations of a near-term Federal Reserve rate cut, which in turn underpinned the dollar. The Australian dollar jumped after the country's central bank retained a tightening bias at the conclusion of its policy meeting and warned against imminent rate cuts, joining the Fed chorus of caution.

MSCI's broadest index of Asia-Pacific shares outside Japan rose more than 0.8%, reversing a 0.7% decline from the previous session. That was helped by a sharp rise in Chinese stocks, as recent signs of support from state-backed investors and moves from authorities helped stem heavy losses in the market. The blue-chip CSI300 Index jumped more than 1.5%, while Shanghai Composite Index gained 0.8%, after having plumbed a five-year low on Monday.

China's state fund Central Huijin Investment said on Tuesday it has expanded its scope of investment in exchange-trade funds (ETFs), according to a statement on its website. The same day, China's securities regulator said it will guide institutional investors to raise stock investment and encourage listed companies to increase share buybacks. "We estimate the National Team has bought roughly RMB 70 billion of A shares in the past month, but RMB 200 billion is perhaps the minimum to

stabilize the market," said analysts at Goldman Sachs, referring to the coined term for Chinese state-backed investors. Hong Kong's Hang Seng Index surged more than 3%, while Japan's Nikkei slid 0.22%.

Data on Monday showed the U.S. services sector growth picked up in January as new orders increased and employment rebounded, adding to growing doubts about the slew of Fed rate cuts priced in for this year, which had already been dialled back in the wake of Friday's blockbuster U.S. jobs report. That kept the dollar propped close to more than a two-month high against the euro and the yen. The single currency last bought \$1.0750, while the yen stood at 148.41 per dollar.

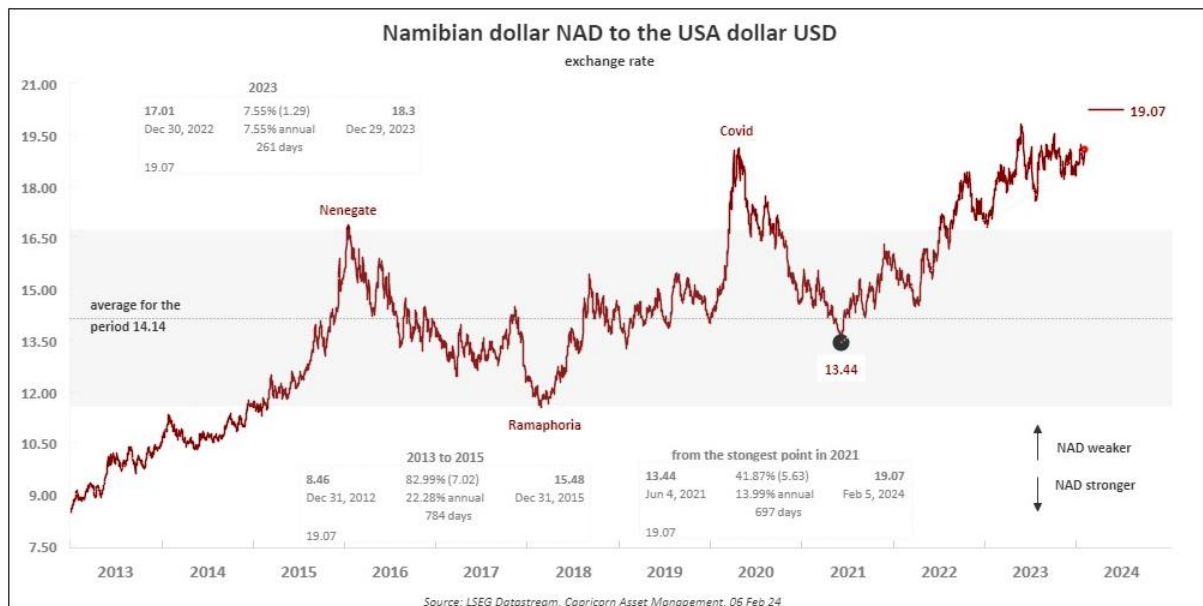
Down Under, the Reserve Bank of Australia (RBA) on Tuesday held interest rates steady as expected, but cautioned that a further increase could not be ruled out given inflation was still too high and it needed to see more evidence that price pressures were cooling. That sent the Aussie up more than 0.4% to \$0.6513, as futures pushed out the likely timing of a first easing to later in the year. "Whilst few suspect another hike could follow, it has helped lift (the Aussie) from arguably oversold levels following strong economic data from the U.S.," said Matt Simpson, senior market analyst at City Index. "Like Fed watchers, traders are now obsessing over when the RBA's first cut will arrive, over if they will hike again this cycle."

Fed expectations remained the main driver of market moves as investors come to terms with the likelihood of U.S. rates staying higher for longer than initially expected. That kept U.S. Treasury yields elevated, with the two-year yield, which typically reflects near-term interest rate expectations, hovering near Monday's one-month high. It was last at 4.4390%.

Market pricing shows roughly 115 basis points of easing by the Fed this year, down from over 150 bps at the end of last year. Bets for a March rate cut have also largely been priced out, and investors have lengthened the odds for one in May. "What does worry us, though, is whether the ongoing strength of the U.S. job market in January means that the U.S. consumer will stay strong, thereby undoing the disinflationary trend, and extending tight monetary policy more indefinitely," said Thierry Wizman, global FX and rates strategist at Macquarie.

In commodities, oil prices held largely steady as traders took stock of a visit to the Middle East by U.S. Secretary of State Antony Blinken to discuss a ceasefire offer in the region. U.S. crude rose 17 cents to \$72.95 a barrel. Brent futures gained 19 cents to \$78.18 Gold rose 0.07% to \$2,026.16 an ounce.

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand weakened on Monday as traders scaled back their expectations for aggressive interest rate cuts by the Federal Reserve this year. The rand traded at 19.0800 against the dollar at 1600 GMT, down 0.94% from its previous close.

In a U.S. interview aired on Sunday night, Fed Chair Jerome Powell said the central bank could be patient in deciding when to cut its benchmark interest rate. "The ongoing knocks to market confidence on early U.S. interest rate cut hopes has negatively affected the rand, and indeed most EM (Emerging Market) currencies," said Investec chief economist Annabel Bishop in a research note. The dollar index was last trading up 0.52% against a basket of major currencies.

Market-moving news locally this week could come from the Investing in African Mining Indaba conference, which opened in Cape Town on Monday, and President Cyril Ramaphosa's State of the Nation Address on Thursday. The S&P Global South Africa Purchasing Managers' Index (PMI) for January released on Monday showed private sector activity contracted for a second consecutive month in Africa's most industrialised economy.

On the stock market, the Top-40 I and the broader all-share indices closed around 0.5% lower. South Africa's benchmark 2030 government bond slipped, with the yield up 9 basis points at 9.870%.

Source: Thomson Reuters Refinitiv

What sculpture is to a block of marble, education is to the soul.

Joseph Addison

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				06 February 2024	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	⇒	8.79	0.000	8.79	8.79
6 months	⇒	8.83	0.000	8.83	8.83
9 months	⇒	8.86	0.000	8.86	8.86
12 months	⬆️	8.90	0.025	8.88	8.90
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	⬆️	8.99	0.100	8.89	8.99
GC25 (Coupon 8.50%, BMK R186)	⬆️	9.08	0.100	8.98	9.08
GC26 (Coupon 8.50%, BMK R186)	⬆️	9.08	0.100	8.98	9.08
GC27 (Coupon 8.00%, BMK R186)	⬆️	9.20	0.100	9.10	9.20
GC28 (Coupon 8.50%, BMK R2030)	⬆️	9.41	0.115	9.29	9.40
GC30 (Coupon 8.00%, BMK R2030)	⬆️	9.45	0.115	9.33	9.44
GC32 (Coupon 9.00%, BMK R213)	⬆️	9.96	0.115	9.85	9.96
GC35 (Coupon 9.50%, BMK R209)	⬆️	10.99	0.115	10.87	10.98
GC37 (Coupon 9.50%, BMK R2037)	⬆️	12.17	0.100	12.07	12.16
GC40 (Coupon 9.80%, BMK R214)	⬆️	12.37	0.115	12.25	12.36
GC43 (Coupon 10.00%, BMK R2044)	⬆️	12.59	0.120	12.47	12.58
GC45 (Coupon 9.85%, BMK R2044)	⬆️	12.42	0.120	12.30	12.41
GC48 (Coupon 10.00%, BMK R2048)	⬆️	12.53	0.120	12.41	12.52
GC50 (Coupon 10.25%, BMK: R2048)	⬆️	12.26	0.120	12.14	12.25
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	⇒	4.40	0.000	4.40	4.40
GI27 (Coupon 4.00%, BMK NCPI)	⇒	4.64	0.000	4.64	4.64
GI29 (Coupon 4.50%, BMK NCPI)	⇒	5.07	0.000	5.07	5.07
GI33 (Coupon 4.50%, BMK NCPI)	⇒	5.72	0.000	5.72	5.72
GI36 (Coupon 4.80%, BMK NCPI)	⇒	6.01	0.000	6.01	6.01
Commodities		Last close	Change	Prev close	Current Spot
Gold	⬇️	2,025	-0.68%	2,039	2,028
Platinum	⬆️	897	0.67%	891	900
Brent Crude	⬆️	78.0	0.85%	77.3	78.2
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬇️	1,542	-0.56%	1,551	1,542
JSE All Share	⬇️	74,034	-0.47%	74,382	74,034
SP500	⬇️	4,943	-0.32%	4,959	4,943
FTSE 100	⬇️	7,613	-0.04%	7,616	7,613
Hangseng	⬇️	15,510	-0.15%	15,534	15,995
DAX	⬇️	16,904	-0.08%	16,918	16,904
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬇️	17,198	-0.05%	17,206	17,198
Resources	⬇️	52,223	-1.97%	53,272	52,223
Industrials	⬆️	103,315	0.03%	103,283	103,315
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬆️	19.06	0.85%	18.90	19.01
N\$/Pound	⬆️	23.88	0.07%	23.87	23.86
N\$/Euro	⬆️	20.47	0.45%	20.38	20.44
US dollar/ Euro	⬇️	1.074	-0.40%	1.078	1.075
		Namibia		RSA	
Interest Rates & Inflation		Jan 24	Dec 23	Jan 24	Dec 23
Central Bank Rate	⇒	7.75	7.75	8.25	8.25
Prime Rate	⇒	11.50	11.50	11.75	11.75
		Dec 23	Nov 23	Dec 23	Nov 23
Inflation	⬇️	5.3	5.7	5.1	5.5

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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