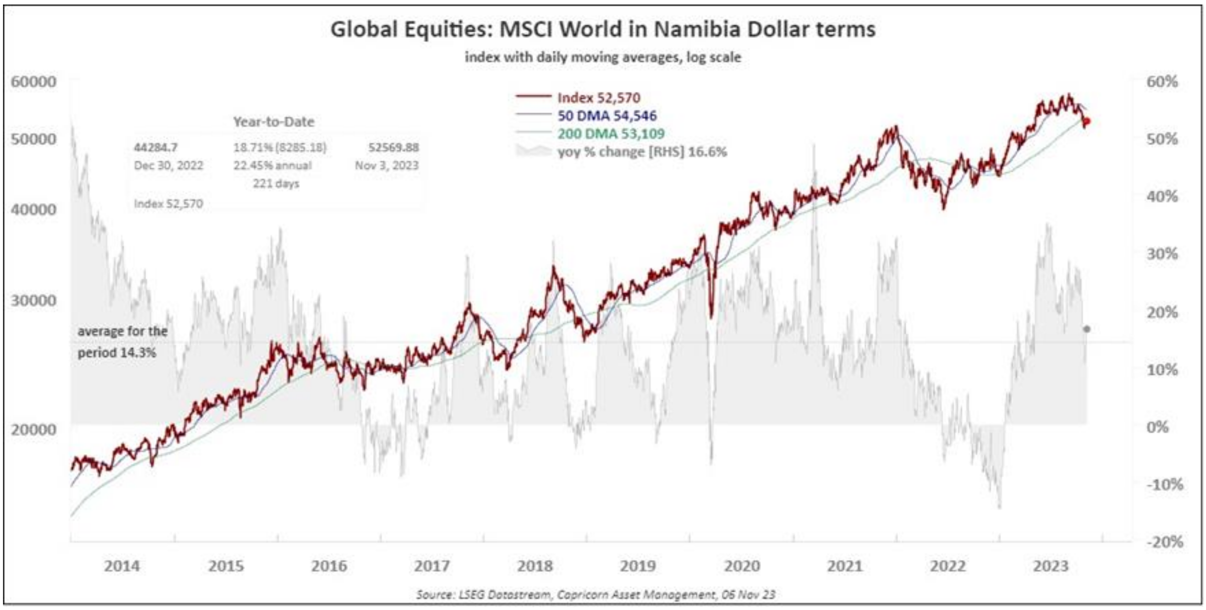
Market Update Monday, 06 November 2023



Global Markets

Asian shares rallied for a fourth straight session on Monday after markets priced in earlier rate cuts in the United States and Europe, bullish wagers that will be tested by a swarm of central bank speakers this week. Battered bond markets also enjoyed a welcome recovery as a benign U.S. payrolls report and upbeat productivity numbers suggested the labour market was cooling enough to obviate the need for further rate increases from the Federal Reserve. "This year's better-than-expected U.S. supply-side performance raises hopes for a soft landing," said Bruce Kasman, head of economic research at JPMorgan. "By encouraging disinflation, strong productivity and labour supply gains might allow for job growth and low inflation to coexist," he added. "This, in turn, would open the path for early Fed easing." Futures markets: swung to imply a 90% chance the Fed was done raising rates, and an 86% chance the first policy easing would come as soon as June.

Markets also imply about an 80% probability the European Central Bank will cut rates by April, while the Bank of England is seen easing in August. Central bankers have their own chance to weigh in on this dovish outlook, with at least nine Fed members speaking this week, including Chair Jerome Powell. Also on the docket are speakers from the BoE and ECB. An odd man out is Australia's central bank, which is considered likely to resume raising rates at a policy meeting on Tuesday as inflation stays stubbornly high. The Bank of Japan is also on the road to tightening, albeit at a glacial pace. The head of the central bank on Monday said they were closer to achieving their inflation target, but it was still not enough to end ultra-loose policy.

Elsewhere, hopes for lower borrowing costs helped MSCI's broadest index of Asia-Pacific shares outside Japan gained 2.0%, having already rallied 2.8% last week and away from one-year lows. Japan's Nikkei rose another 2.4%, after jumping 3.1% last week, while South Korea climbed 4.3% as authorities re-imposed a ban on short-selling to mid-2024. Chinese blue chips gained 1.3%, ahead of data on trade and inflation due this week. S&P 500 futures and Nasdaq futures were both flat. EUROSTOXX 50 futures were also little moved, while FTSE futures inched up 0.1%.

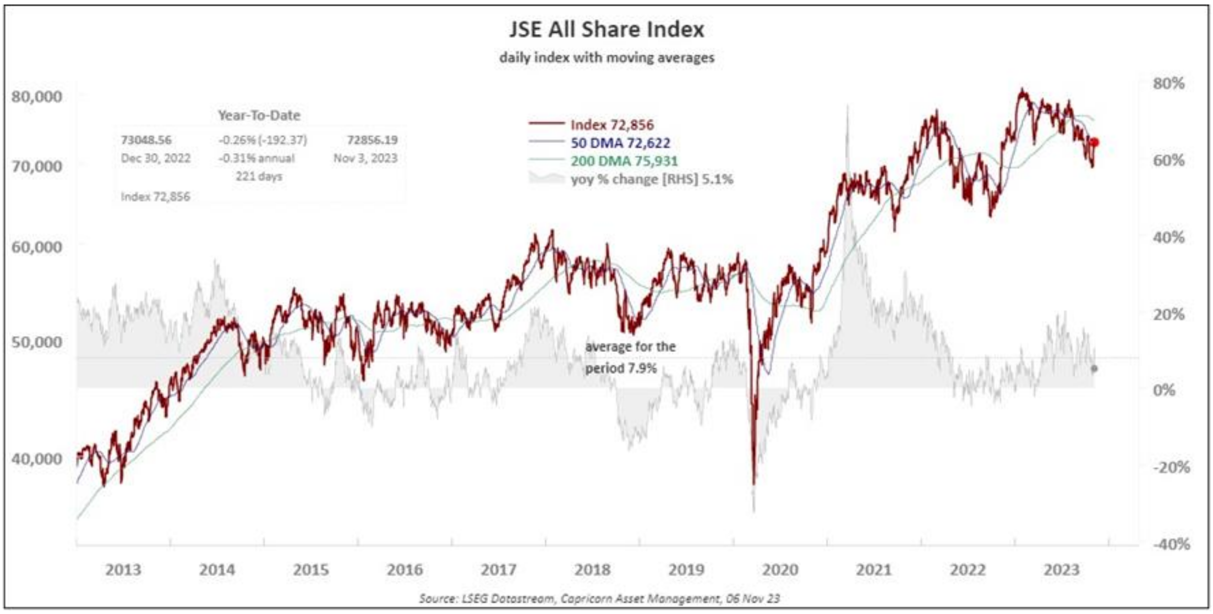
BOND RELIEF

Two-year Treasury yields paused at 4.86%, after falling 17 basis points last week. Yields on 10-year notes stood at 4.586%, some way from October's painful peak of 5.021%. "Our view remains that rate cuts from the Fed, ECB and BoE will come a little sooner than is priced by markets and, in the initial phases, is likely to be bolder in terms of size," analysts at NatWest Markets wrote in a note. "We look for the Fed Funds rate to fall to 3-3.25%, the ECB depo rate to 3% and BoE Bank Rate to 4.25% by end-2024." The retreat in Treasury yields pulled the rug out from under the dollar, which was pinned at 105.080 =USD having slid 1.3% last week to the lowest since late September.

The euro was firm at $1.0735, having surged 1% on Friday to its highest in two months. The dollar even lost ground to the ailing yen to stand at 149.52, some way from its recent top of 151.74. The drop in the dollar and yields helped underpin gold at $1,983, within striking distance of the recent five-month peak of $2,009.

Oil prices edged higher, after shedding 6% last week, drawing support from confirmation Saudi Arabia and Russia would continue their additional voluntary oil output cuts. In the Middle East, Israel on Sunday rejected growing calls for a ceasefire in Gaza, with military specialists saying that forces are set to intensify their operations against Palestinian Islamist group Hamas. Brent added 43 cents to $85.32 a barrel, while U.S. crude climbed 54 cents to $81.05 per barrel.

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand extended gains on Friday as U.S. Treasury yields fell and data out of the U.S. showed fewer than expected jobs had been created in October, boosting hopes the Federal Reserve is done raising interest rates. At 1513 GMT, the rand traded at 18.2475 against the dollar, about 1% stronger than its previous close. The dollar last traded around 0.95% weaker against a basket of global currencies.

U.S. Treasury yields extended losses this week after the Fed held off on an interest rate hike on Wednesday and non-farm payrolls increased by less than expected in October, said Danny Greeff, co-head of Africa at ETM Analytics. Like other risk-sensitive currencies, the rand often takes cues from global factors like U.S. monetary policy. "Given how overvalued the USD is, the prospect of rate cuts in the coming quarters could trigger a deeper correction through the months ahead, and the ZAR is poised to capitalise," Greeff added.

Locally, South African private sector activity fell in October after holding steady in September, hurt by weak customer demand and high fuel prices, a survey showed on Friday. On the Johannesburg Stock Exchange, the blue-chip Top-40 index closed up 2.26%, while the broader all-share index ended 2.06% higher.

South Africa's benchmark 2030 government bond was stronger, the yield down 7 basis points to 10.295%.

Source: Thomson Reuters Refinitiv

Gratitude makes sense of our past, brings peace for today, and creates a vision for tomorrow.

Melody Beattie

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)					06 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	↓	8.57	-0.033	8.60	8.57
9 months	↓	8.62	-0.033	8.65	8.62
12 months	↓	8.57	-0.050	8.62	8.57
Nominal Bond Yields %		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC24 (Coupon 10.50%, BMK R186)	↓	8.21	-0.055	8.27	8.23
GC25 (Coupon 8.50%, BMK R186)	↓	9.02	-0.055	9.07	9.03
GC26 (Coupon 8.50%, BMK R186)	↓	8.33	-0.055	8.38	8.34
GC27 (Coupon 8.00%, BMK R186)	↓	8.85	-0.055	8.90	8.86
GC28 (Coupon 8.50%, BMK R2030)	↓	9.32	-0.070	9.39	9.33
GC30 (Coupon 8.00%, BMK R2030)	↓	9.86	-0.070	9.93	9.87
GC32 (Coupon 9.00%, BMK R213)	↓	10.52	-0.075	10.60	10.54
GC35 (Coupon 9.50%, BMK R209)	↓	11.08	-0.060	11.14	11.10
GC37 (Coupon 9.50%, BMK R2037)	↓	11.92	-0.070	11.99	11.93
GC40 (Coupon 9.80%, BMK R214)	↓	11.75	-0.065	11.82	11.77
GC43 (Coupon 10.00%, BMK R2044)	↓	11.82	-0.090	11.91	11.84
GC45 (Coupon 9.85%, BMK R2044)	↓	12.34	-0.090	12.43	12.36
GC48 (Coupon 10.00%, BMK R2048)	↓	12.33	-0.090	12.42	12.35
GC50 (Coupon 10.25%, BMK: R2048)	↓	12.18	-0.090	12.27	12.20
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	↑	1,992	0.34%	1,986	1,984
Platinum	↑	930	1.09%	920	927
Brent Crude	↓	84.9	-2.26%	86.9	85.2
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	↑	1,586	1.20%	1,567	1,586
JSE All Share	↑	72,856	2.06%	71,384	72,856
SP500	↑	4,358	0.94%	4,318	4,358
FTSE 100	↓	7,418	-0.39%	7,447	7,418
Hangseng	↑	17,664	2.52%	17,231	17,918
DAX	↑	15,189	0.30%	15,144	15,189
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	↑	16,627	1.55%	16,373	16,627
Resources	↑	56,203	2.43%	54,867	56,203
Industrials	↑	98,789	2.39%	96,487	98,789
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	↓	18.26	-0.80%	18.41	18.23
N$/Pound	↑	22.60	0.62%	22.46	22.57
N$/Euro	↑	19.59	0.21%	19.55	19.58
US dollar/ Euro	↑	1.073	1.03%	1.062	1.074
		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 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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