

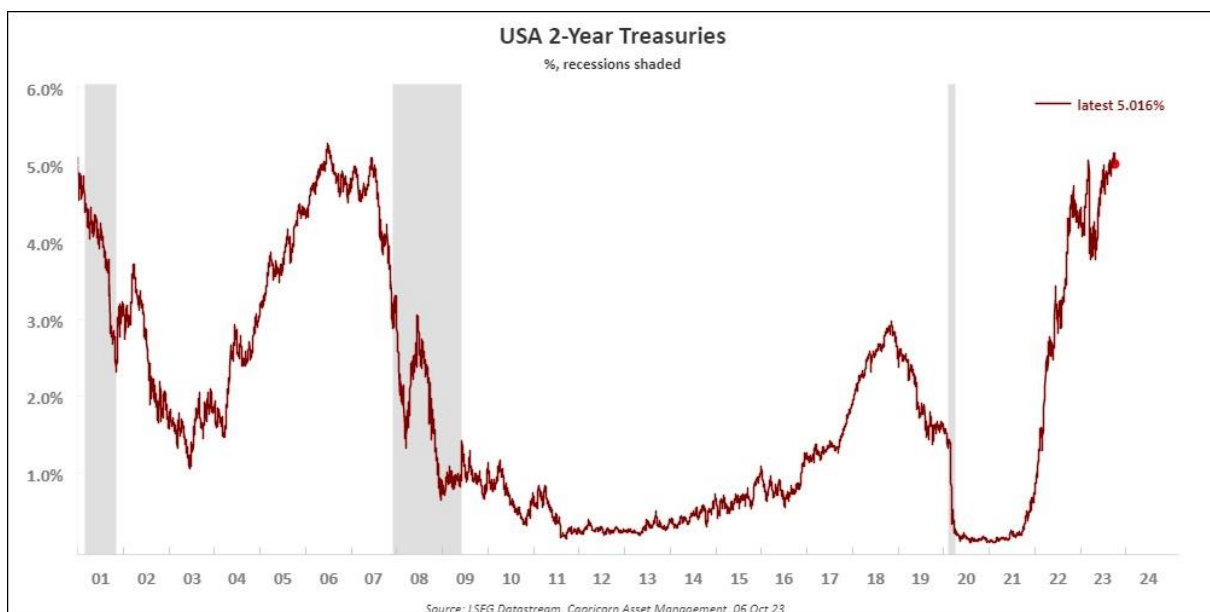
# The Daily Brief



Capricorn Asset Management

## Market Update

Friday, 06 October 2023



## Global Markets

A lull in bond selling has stretched into Friday, but may not last the day as investors waited on U.S. jobs data that could add to the case for keeping interest rates high for some time. Oil's flip from surging to sliding has also provided respite, with Brent crude futures at \$84.50 a barrel, some \$13 or 13.5% cheaper than last week's 11-month high. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.9%. Tokyo's Nikkei was flat and currency markets were similarly steady, though the bond rout has the dollar headed for a record 12th straight week of gains.

Ten-year U.S. Treasury yields were mercifully steady at 4.72% through the Asia session, but have climbed 55 basis points in a five-week-long selloff that has dragged on bond markets and appetite for risk-taking around the world. "The recent sharp sell-off has the paradoxical power to sow the seeds of its own reversal," said analysts at Rabobank, since tighter financial conditions will weigh on demand, and increase the likelihood that policy rates are peaking and not pausing.

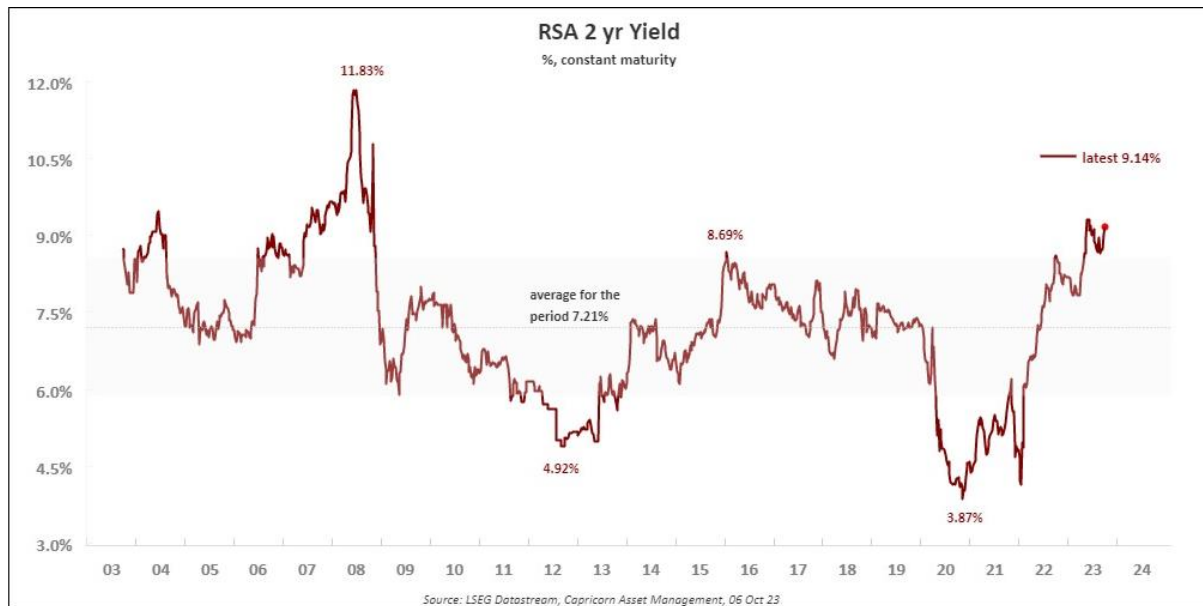
Nobody was placing big bets, however, before the publication of U.S. non-farm payrolls data at 1230 GMT. Economists polled by Reuters' expect it to show 170,000 U.S. jobs were added last month, though estimates range as high as 256,000. "It's hard to disentangle where people are sitting, but the market won't want to see a strong number for sure," said Jason Wong, strategist at BNZ in

Wellington. Another round of bond selling would likely propel the dollar further along a weekly winning streak that is already its longest ever against the euro. The dollar index is up 12 weeks in a row, equalling a streak that ran from July to October 2014.

The run-up has the euro, at \$1.0542, pinned near an 11-month low and sterling not far from a seven-month trough. The dollar index was steady on Friday at 106.4. "A push through 107 would provide technical evidence of trend continuation," said Capital.com analyst Kyle Rodda. Surprisingly, only the beleaguered yen has shown much of a fight, since a sudden jump in the Japanese currency during London afternoon on Tuesday stoked speculation authorities had intervened. Japanese money-market data showed no anomalies of a kind that might have accompanied intervention. But the move was eye-catching enough to keep traders on their guard. The yen was last steady at 148.5 per dollar.

Gold was also steady at \$1,822 an ounce after nine days of losses driven by rising global bond yields. "This may be just a brief pause while we wait for labour market data and next week's U.S. Treasury supply and CPI data," said SocGen strategist Kit Juckes. "If the labour market data are strong, pressure will return sooner than it did last year. I still think the Treasury market will take yields higher until something breaks in the system."

**Source: Thomson Reuters Refinitiv**



## Domestic Markets

The South African rand fell to a four-month low on Thursday as analysts rued the weakness of the local currency and markets wait for direction from U.S. employment data on Friday. At 1505 GMT, the rand traded at 19.5700 against the dollar, nearly 1.2% weaker than its previous close. It reached a low of 19.6325 earlier in the day, its lowest since June. The dollar last traded around 0.15% weaker against a basket of global currencies.

"Given South Africa's heightened fiscal risks and deteriorating economic fundamentals, the ZAR lacks resilience against the broader ebb and flow of market sentiment," Danny Greeff, co-head of Africa at ETM Analytics told Reuters. "The U.S. employment data scheduled for release tomorrow ... will likely determine its directionality into the new week," Greeff said.

The rand has already lost more than 3% against the greenback this month and about 13% this year, but central bank Governor Lesetja Kganyago said on Thursday that the bank would not step in to protect the local currency. "It's a futile exercise trying to defend the exchange rate," Kganyago said during a webinar, adding that the rand was caught up in a realignment of global currencies. Like other risk-sensitive currencies, the rand often takes cues from international factors such as dollar moves and U.S. economic data in the absence of major local data points.

On the Johannesburg Stock Exchange, the blue-chip Top-40 index closed about 1% higher. South Africa's benchmark 2030 government bond ZAR2030= was stronger, with the yield down 8 basis points to 11.005%.

**Source: Thomson Reuters Refinitiv**

Our deeds determine us, as much as we determine our deeds.

George Eliot

## Market Overview

| MARKET INDICATORS (Thomson Reuters Refinitiv) |   |            |            | 06 October 2023 |              |
|---|---|------------|------------|-----------------|--------------|
| Money Market TB Rates %                       |   | Last close | Difference | Prev close      | Current Spot |
| 3 months                                      | → | 8.24       | 0.000      | 8.24            | 8.24         |
| 6 months                                      | ↑ | 8.83       | 0.008      | 8.82            | 8.83         |
| 9 months                                      | ↑ | 9.02       | 0.017      | 9.00            | 9.02         |
| 12 months                                     | ↓ | 9.17       | -0.016     | 9.19            | 9.17         |
| Nominal Bond Yields %                         |   | Last close | Difference | Prev close      | Current Spot |
| GC24 (Coupon 10.50%, BMK R186)                | ↓ | 9.81       | -0.125     | 9.93            | 9.81         |
| GC25 (Coupon 8.50%, BMK R186)                 | ↓ | 9.63       | -0.125     | 9.75            | 9.63         |
| GC26 (Coupon 8.50%, BMK R186)                 | ↓ | 9.54       | -0.125     | 9.66            | 9.54         |
| GC27 (Coupon 8.00%, BMK R186)                 | ↓ | 10.01      | -0.125     | 10.13           | 10.01        |
| GC28 (Coupon 8.50%, BMK R2030)                | ↓ | 10.61      | -0.110     | 10.72           | 10.61        |
| GC30 (Coupon 8.00%, BMK R2030)                | ↓ | 10.93      | -0.110     | 11.04           | 10.93        |
| GC32 (Coupon 9.00%, BMK R213)                 | ↓ | 11.10      | -0.105     | 11.21           | 11.10        |
| GC35 (Coupon 9.50%, BMK R209)                 | ↓ | 11.99      | -0.100     | 12.09           | 11.99        |
| GC37 (Coupon 9.50%, BMK R2037)                | ↓ | 12.54      | -0.090     | 12.63           | 12.54        |
| GC40 (Coupon 9.80%, BMK R214)                 | ↓ | 12.98      | -0.100     | 13.08           | 12.97        |
| GC43 (Coupon 10.00%, BMK R2044)               | ↓ | 12.97      | -0.100     | 13.07           | 12.97        |
| GC45 (Coupon 9.85%, BMK R2044)                | ↓ | 13.37      | -0.100     | 13.47           | 13.37        |
| GC48 (Coupon 10.00%, BMK R2048)               | ↓ | 13.47      | -0.105     | 13.58           | 13.47        |
| GC50 (Coupon 10.25%, BMK: R2048)              | ↓ | 13.56      | -0.105     | 13.67           | 13.56        |
| 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)                 | → | 4.44       | 0.000      | 4.44            | 4.44         |
| GI29 (Coupon 4.50%, BMK NCPI)                 | → | 5.09       | 0.000      | 5.09            | 5.09         |
| GI33 (Coupon 4.50%, BMK NCPI)                 | → | 5.58       | 0.000      | 5.58            | 5.58         |
| GI36 (Coupon 4.80%, BMK NCPI)                 | → | 5.98       | 0.000      | 5.98            | 5.98         |
| Commodities                                   |   | Last close | Change     | Prev close      | Current Spot |
| Gold  | ↓ | 1,820      | -0.06%     | 1,821           | 1,821        |
| Platinum                                      | ↓ | 855        | -1.36%     | 866             | 854          |
| Brent Crude                                   | ↓ | 84.1       | -2.03%     | 85.8            | 84.2         |
| Main Indices                                  |   | Last close | Change     | Prev close      | Current Spot |
| NSX Overall Index                             | ↑ | 1,542      | 0.94%      | 1,528           | 1,542        |
| JSE All Share                                 | ↑ | 71,250     | 0.97%      | 70,565          | 71,250       |
| SP500   | ↓ | 4,258      | -0.13%     | 4,264           | 4,258        |
| FTSE 100                                      | ↑ | 7,452      | 0.53%      | 7,412           | 7,452        |
| Hangseng                                      | ↑ | 17,214     | 0.10%      | 17,196          | 17,484       |
| DAX   | ↓ | 15,070     | -0.20%     | 15,100          | 15,070       |
| JSE Sectors                                   |   | Last close | Change     | Prev close      | Current Spot |
| Financials                                    | ↑ | 16,060     | 1.15%      | 15,878          | 16,060       |
| Resources                                     | ↑ | 54,900     | 0.44%      | 54,659          | 54,900       |
| Industrials                                   | ↑ | 98,043     | 1.26%      | 96,824          | 98,043       |
| Forex   |   | Last close | Change     | Prev close      | Current Spot |
| N\$/US dollar                                 | ↑ | 19.50      | 0.87%      | 19.33           | 19.54        |
| N\$/Pound                                     | ↑ | 23.77      | 1.39%      | 23.44           | 23.78        |
| N\$/Euro                                      | ↑ | 20.57      | 1.30%      | 20.30           | 20.59        |
| US dollar/ Euro                               | ↑ | 1.055      | 0.43%      | 1.050           | 1.054        |
| Interest Rates & Inflation                    |   | Namibia    |            | RSA             |              |
|   |   | Aug 23     | Jul 23     | Aug 23          | Jul 23       |
| Central Bank Rate                             | → | 7.75       | 7.75       | 8.25            | 8.25         |
| Prime Rate                                    | → | 11.50      | 11.50      | 11.75           | 11.75        |
|   |   | Aug 23     | Jul 23     | Aug 23          | Jul 23       |
| Inflation                                     | ↑ | 4.7        | 4.5        | 4.8             | 4.7          |

#### 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

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**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**

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**For enquiries concerning the Daily Brief please contact us at**

**[Daily.Brief@capricorn.com.na](mailto:Daily.Brief@capricorn.com.na)**

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