

The Daily Brief



Capricorn Asset Management

Market Update

Monday, 07 April 2025

Global Markets



Major stock indexes plunged in Asia on Monday as U.S. President Donald Trump showed no sign of backing away from his sweeping tariff plans, and investors bet the mounting risk of recession could see the Federal Reserve cutting rates as early as May. Futures markets moved swiftly to price in almost five quarter-point cuts in U.S. rates this year, pulling Treasury yields down sharply and hampering the dollar on safe havens. The carnage came as Trump told reporters that investors would have to take their medicine, and he would not do a deal with China until the U.S. trade deficit was sorted out. Beijing declared the markets had spoken on their retaliation plans.

Investors had thought the loss of trillions of dollars in wealth and the likely body blow to the economy would make Trump reconsider his plans. "The size and disruptive impact of U.S. trade policies, if sustained, would be sufficient to tip a still healthy U.S. and global expansion into recession. We continue to expect a first Fed easing in June," he added. "However, we now think the Committee cuts at every meeting through January, bringing the top of the funds rate target range down to 3.0%," said Bruce Kasman, head of economics at JPMorgan, putting the risk of a downturn at 60%.

S&P 500 futures slid 3.5% in volatile trade, while Nasdaq futures dived 4.4%, adding to last week's almost \$6 trillion in market losses. The pain likewise engulfed Europe, with EUROSTOXX 50 futures down 3.6%, while FTSE futures lost 2.3% and DAX futures 4.0%. Japan's Nikkei sank 6.6% to hit lows last seen in late 2023, while South Korea dropped 5%. MSCI's broadest index of Asia-Pacific shares outside Japan fell a gut-wrenching 7.5%. Chinese blue chips lost 6.3%, as markets waited to see if Beijing would respond with Taiwan's main index, which had been shut on Thursday and Friday, tumbled nearly 10%, leading policymakers to curb short selling. All of emerging Asia was also under water, with India's Nifty 50 sinking 4%.

The gloomier outlook for global growth kept oil prices under heavy pressure, following steep losses last week. The flight to safe havens saw 10-year Treasury yields drop 8 basis points to 3.916%, while Fed fund futures jumped to price in an extra quarter-point rate cut from the Federal Reserve this year. Markets swung to imply around 54% chance the Fed could cut as soon as May, even though Chair Jerome Powell on Friday said the central bank was in no hurry on rates. That dovish turn saw the dollar slip another 0.5% on the safe-haven Japanese yen to 146.16 yen, while the euro held firm at \$1.0966. The dollar shed 0.6% on the Swiss franc, while the trade-exposed Australian dollar dropped a further 0.4%.

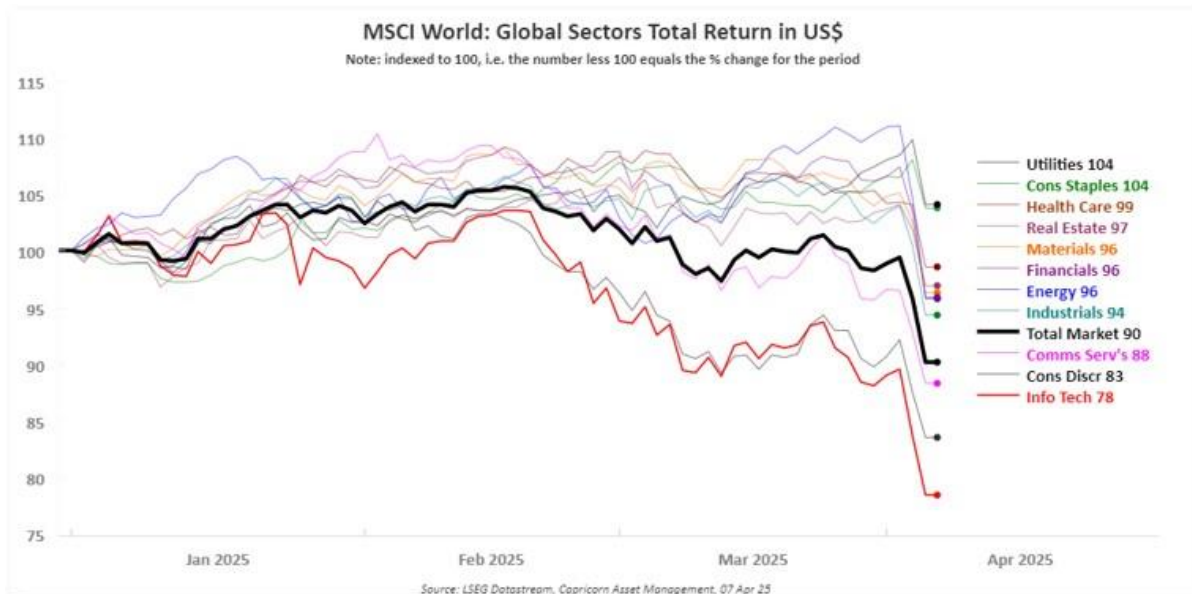
Investors were also wagering the imminent threat of recession would outweigh the likely upward shove to inflation from tariffs. U.S. consumer price figures out later this week are expected to show another rise of 0.3% for March, but analysts assume it is just a matter of time before tariffs push prices sharply higher, for everything from food to cars. Rising costs will also put pressure on company profit margins, just as the earnings season gets underway with some of the big banks due on Friday. Around 87% of U.S. companies will report between April 11 and May 9.

The drop left dealers wondering if investors were taking profits where they could cover losses and margin calls on other assets, in what could turn into a self-feeding fire sale.

Even gold was swept up in the selloff, easing 0.3% to \$3,026 an ounce.

Brent fell \$1.35 to \$64.23 a barrel, while U.S. crude dived \$1.395 to \$60.60 per barrel.

Source: LSEG Thomson Reuters Refinitiv.



Domestic Markets

South African assets fell further on Friday as investors worried about the impact of U.S. President Donald Trump's sweeping tariffs and the future of South Africa's coalition government. At 1511 GMT, the rand traded at 19.0175 against the dollar, down about 1.5% on Thursday's closing level.

The South African currency has fallen more than 3% against the dollar last week, with bigger losses against currencies like the euro and pound. Trump's 10% baseline tariff on all imports to the United States and higher duties for dozens of countries like South Africa, has sent shockwaves through markets. Investors have dumped riskier currencies like the rand and sought safety in assets like bonds and gold, fearing that a full-blown trade dispute could trigger a sharp global economic slowdown and fuel inflation.

The tariffs could hurt South Africa's economy by denting exports like vehicles and auto parts, metals and citrus fruit. Johann Els, chief economist at Old Mutual, said that more volatility was expected in the days and weeks ahead before the rand settled back in a stable territory. An added worry for South Africa-focused investors is that the pro-business Democratic Alliance (DA) party could leave the coalition government after a dispute over the budget. The DA voted against the budget's fiscal framework and revenue proposals in parliament this week after failing to reach an agreement with the biggest party in the coalition, the African National Congress (ANC). It is now considering its future in the coalition, with some in the ANC also pushing for it to exit government.

Johannesburg-listed stocks and government bonds also fell on Friday. The local bourse's Top 40 index closed down about 5.4, while the yield on the benchmark 2030 government bond rose 18.5 basis points to 9.41%.

Source: LSEG Thomson Reuters Refinitiv.

The past cannot be changed. The future is yet in your power.

Unknown

Market Overview

MARKET INDICATORS (Bloomberg)				07 April 2025	
Money Market TB's		Last Close	Change	Prev Close	Current Spot
3 months	↑	7.54	0.028	7.51	7.54
6 months	↑	7.60	0.012	7.59	7.60
9 months	↑	7.67	0.056	7.61	7.67
12 months	↑	7.74	0.018	7.72	7.74
Nominal Bonds		Last Close	Change	Prev Close	Current Spot
GC25 (Coupon 8.50%, BMK: R186)	↑	7.40	0.172	7.23	7.28
GC26 (Coupon 8.50%, BMK: R186)	↓	8.44	-0.080	8.52	8.53
GC27 (Coupon 8.00%, BMK: R186)	↓	8.51	-0.038	8.55	8.56
GC30 (Coupon 8.00%, BMK: R2030)	↓	9.14	-0.042	9.18	9.35
GC32 (Coupon 9.00%, BMK: R213)	↓	9.79	-0.064	9.86	9.82
GC35 (Coupon 9.50%, BMK: R209)	↓	11.20	-0.016	11.22	11.23
GC37 (Coupon 9.50%, BMK: R2037)	↓	11.47	-0.020	11.49	11.46
GC40 (Coupon 9.80%, BMK: R214)	↓	11.75	-0.161	11.91	12.28
GC43 (Coupon 10.00%, BMK: R2044)	↓	11.90	-0.133	12.03	12.31
GC45 (Coupon 9.85%, BMK: R2044)	↓	11.95	-0.026	11.98	12.36
GC48 (Coupon 10.00%, BMK: R2048)	↓	11.94	-0.054	12.00	12.41
GC50 (Coupon 10.25%, BMK: R2048)	↓	12.02	-0.048	12.07	12.39
Inflation-Linked Bonds		Last Close	Change	Prev Close	Current Spot
GI25 (Coupon 3.80%, BMK: NCPI)	↓	3.05	-0.340	3.39	3.06
GI27 (Coupon 4.00%, BMK: NCPI)	↓	4.44	-0.011	4.45	4.44
GI29 (Coupon 4.50%, BMK: NCPI)	↓	4.65	-0.013	4.67	4.65
GI33 (Coupon 4.50%, BMK: NCPI)	↓	5.29	-0.010	5.30	5.29
GI36 (Coupon 4.80%, BMK: NCPI)	↑	5.64	0.001	5.64	5.64
Commodities		Last Close	Change	Prev Close	Current Spot
Gold	↓	3,038	-2.47%	3,115	3,020
Platinum	↓	923	-3.01%	952	918
Brent Crude	↓	65.6	-6.50%	70.14	62.69
Main Indices		Last Close	Change	Prev Close	Current Spot
NSX Local Index	↓	905	-4.94%	952	905
JSE All Share	↓	77,752	-4.66%	81,554	77,752
S&P 500	↓	5,074	-5.98%	5,397	5,074
FTSE 100	↓	7,633	-5.24%	8,055	7,633
Hangseng	↓	19,835	-13.19%	22,850	19,835
DAX	↓	19,157	-7.19%	20,642	19,157
JSE Sectors		Last Close	Change	Prev Close	Current Spot
Financials	↓	18,040	-3.89%	18,771	17,218
Resources	↓	61,625	-9.77%	68,300	59,291
Industrials	↓	117,136	-4.00%	122,018	110,795
Forex		Last Close	Change	Prev Close	Current Spot
N\$/US Dollar	↑	19.14	2.19%	18.73	19.36
N\$/Pound	↑	24.67	0.57%	24.53	24.97
N\$/Euro	↑	20.97	1.30%	20.70	21.31
US Dollar/ Euro	↓	1.096	-1.26%	1.11	1.10
		Namibia		RSA	
Interest Rates & Inflation		Feb-25	Jan-25	Mar-25	Jan-25
Central Bank Rate	↓	6.75	7.00	7.50	7.50
Prime Rate	↓	10.50	10.75	11.00	11.00
		Feb-25	Jan-25	Feb-25	Jan-25
Inflation	↑	3.6	3.2	3.2	3.2

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.



Capricorn Asset Management



Bank Windhoek

For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na

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