

The Daily Brief



Capricorn Asset Management

Market Update

Thursday, 07 December 2023



Global Markets

Asian shares fell with Wall Street on Thursday, while a sharp fall in oil prices to a five-month low promised to further reduce inflationary pressures and helped boost the global bond market. MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.9%, having been down 2.0% so far this month after a 7.3% rally in November. Japan's Nikkei fell 1.6%, led by declines in energy and tech stocks.

Sentiment about China remained bearish. Chinese trade data showed on Thursday exports unexpectedly rose in November, but imports posted a surprising fall, suggesting domestic demand remains shaky. That followed a cut from rating agency Moody's on the Asian giant's credit outlook a day earlier. China's bluechips eased 0.5% to hit a fresh five-year trough, while Hong Kong's Hang Seng index plunged 1.6% to plough a new 13-month low.

Overnight, Wall Street was dragged lower by energy stocks as oil prices slid. The Dow Jones slipped 0.2%, the S&P 500 lost 0.4%, and the Nasdaq Composite fell 0.6%. There was also a soft reading on the U.S. labour market overnight. A risk appetite index by State Street Global Advisors showed global

investors became less pessimistic in November, but they were not in an unbridled rush into risk, with the index edging up to 0 from -0.55 the previous month.

Analysts note the ADP private payrolls report is historically not a very reliable predictor of the official non-farm payroll report due on Friday, making the weekly jobless claims later in the day more important. Economists expect the economy added 180,000 new jobs in November, picking up from 150,000 the previous month.

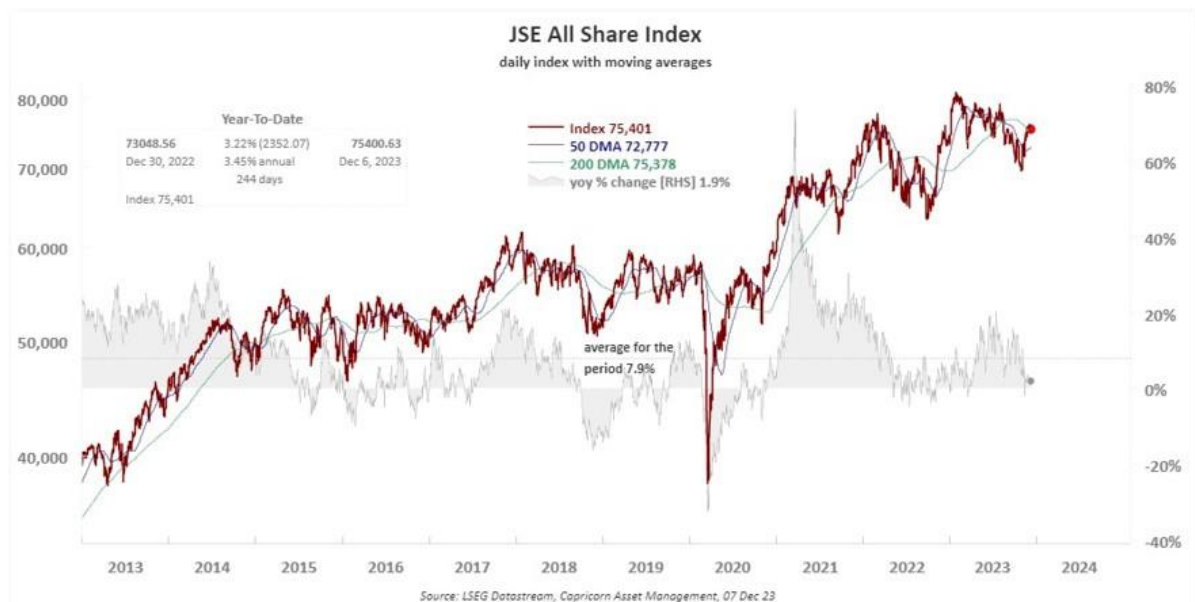
The U.S. dollar hovered near a two-week high at 104.15 against its major peers heading into the NFP release on Friday. Markets have priced in so much easing that they are clearly vulnerable to an upside payroll surprise.

Asian bonds rallied along with Treasuries. Australian 10-year government bond yield hit a 2-1/2 month low of 4.225% on Thursday. The yield on the benchmark U.S. 10-year Treasury note was little changed at 4.1208%, after a 11 basis point drop overnight to a three month low of 4.1040%. Softening economic data and recent comments from Federal Reserve officials, including Chair Jerome Powell, have heightened expectations that the U.S. rates have peaked and a total of more than 125 basis points in cuts could commence as early as in March.

Oil prices rebounded a little after falling nearly 4% overnight to their lowest settlements since June. Worries about global fuel demand drove prices lower, despite pledges from OPEC+ producers that they would keep a tight lid on supply. Brent crude futures edged up 0.6% to \$74.72 a barrel while U.S. West Texas Intermediate futures rose 0.6% to \$69.8 a barrel. "That's probably the oil market giving you a bit of a heads up for what they think demand is going to be like over the next few months," said Amy Xie Patrick, head of income strategies at Pandal Group. Combined with the recent price actions in the equity and bond markets, Xie Patrick said the markets were starting to worry whether the global economy could be heading to a hard landing next year. "Even though bond yields have continued to fall, equity markets are no longer rallying, credit spreads are no longer tightening. The markets are starting to wonder whether this is a good kind of bond yield rally or is the bond market telling you something a little bit more sinister."

Gold prices was 0.2% higher at \$2,028.99 per ounce.

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand firmed on Wednesday after subdued U.S. labour data boosted bets that the Federal Reserve was done hiking interest rates and might start easing its monetary policy early next year.

At 1500 GMT, the rand traded at 18.8425 against the dollar, around 0.7% stronger than its previous close. The rand breached 19.00 on Tuesday after South Africa's third-quarter gross domestic product data showed a slightly bigger than expected contraction.

The dollar was little changed against a basket of global currencies.

Jobs figures out of the U.S. were below market estimates on Tuesday, "raising the prospect of a Fed rate cut in March next year," said Andre Cilliers, currency strategist at TreasuryONE. Like other risk-sensitive currencies, the rand often takes cues from global drivers like U.S. monetary policy in the absence of local data points. "The local currency will remain susceptible to any stronger moves in the Dollar and will likely trade on the back foot in the short term," Cilliers added.

Investor focus will turn towards monthly reserves data and third-quarter current account figures due to be published by the South African Reserve Bank on Thursday.

On the Johannesburg Stock Exchange, the blue-chip Top-40 index closed over 0.2% higher.

South Africa's benchmark 2030 government bond was stronger, the yield down 3 basis points at 9.980%.

Source: Thomson Reuters Refinitiv

The ideal attitude is to be physically loose and mentally tight.

Arthur Ashe

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				07 December 2023	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	→	8.48	0.000	8.48	8.48
6 months	↑	8.59	0.009	8.58	8.59
9 months	↑	8.60	0.017	8.58	8.60
12 months	↑	8.55	0.008	8.54	8.55
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	↓	8.02	-0.025	8.04	8.02
GC25 (Coupon 8.50%, BMK R186)	↓	8.82	-0.025	8.85	8.82
GC26 (Coupon 8.50%, BMK R186)	↓	8.13	-0.025	8.16	8.13
GC27 (Coupon 8.00%, BMK R186)	↓	8.65	-0.025	8.68	8.65
GC28 (Coupon 8.50%, BMK R2030)	↓	9.00	-0.030	9.03	9.00
GC30 (Coupon 8.00%, BMK R2030)	↓	9.54	-0.030	9.57	9.54
GC32 (Coupon 9.00%, BMK R213)	↓	10.14	-0.030	10.17	10.14
GC35 (Coupon 9.50%, BMK R209)	→	10.86	0.000	10.86	10.86
GC37 (Coupon 9.50%, BMK R2037)	↑	11.70	0.015	11.68	11.70
GC40 (Coupon 9.80%, BMK R214)	↑	11.68	0.015	11.66	11.67
GC43 (Coupon 10.00%, BMK R2044)	↑	11.73	0.030	11.70	11.73
GC45 (Coupon 9.85%, BMK R2044)	↑	12.25	0.030	12.22	12.25
GC48 (Coupon 10.00%, BMK R2048)	↑	12.24	0.030	12.21	12.24
GC50 (Coupon 10.25%, BMK: R2048)	↑	12.09	0.030	12.06	12.09
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	→	3.20	0.000	3.20	3.30
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	↑	2,025	0.27%	2,019	2,026
Platinum	↓	890	-1.04%	899	887
Brent Crude	↓	74.3	-3.76%	77.2	74.7
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,635	0.92%	1,620	1,635
JSE All Share	↑	75,401	0.25%	75,215	75,401
SP500	↓	4,549	-0.39%	4,567	4,549
FTSE 100	↑	7,515	0.34%	7,490	7,515
Hangseng	↑	16,463	0.83%	16,328	16,245
DAX	↑	16,656	0.75%	16,533	16,656
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	17,072	0.46%	16,994	17,072
Resources	↑	57,552	1.08%	56,940	57,552
Industrials	↓	103,029	-0.45%	103,498	103,029
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	18.96	0.12%	18.94	18.98
N\$/Pound	↓	23.82	-0.17%	23.86	23.81
N\$/Euro	↓	20.41	-0.19%	20.45	20.41
US dollar/ Euro	↓	1.076	-0.31%	1.080	1.076
		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 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

Disclaimer

The information contained in this note is the property of Capricorn Asset Management (CAM). The information contained herein has been obtained from sources and persons whom the writer believes to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute the writer's judgement as of the date of this material and are subject to change without notice. This note is provided for informational purposes only and may not be reproduced in any way without the explicit permission of CAM.

A member of  **Capricorn Group**
