

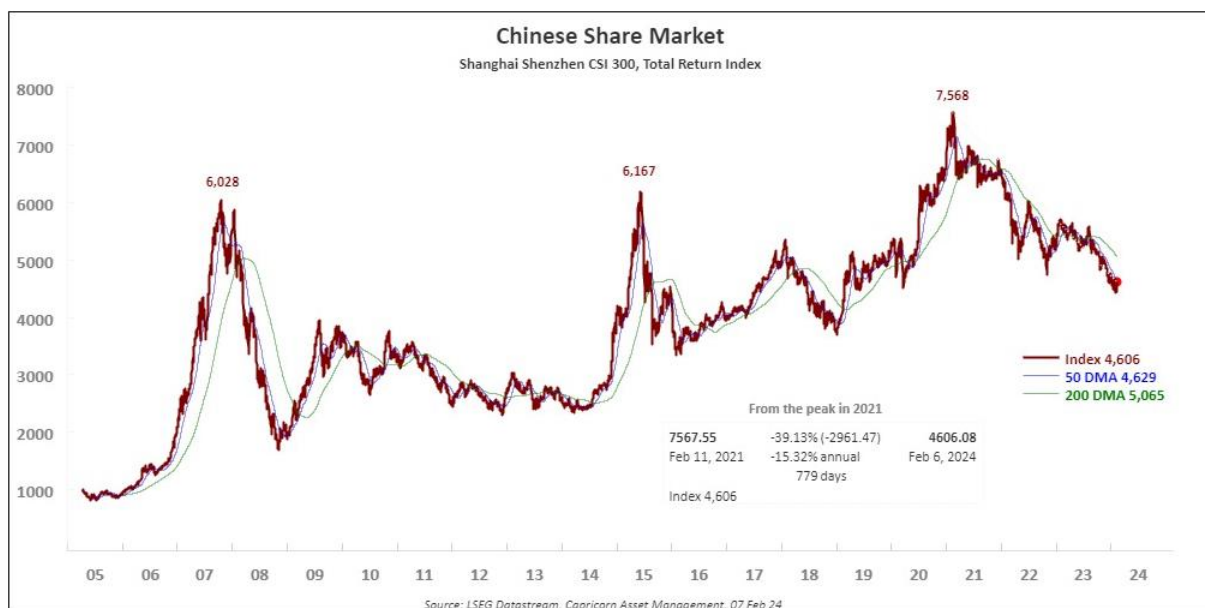
# The Daily Brief



Capricorn Asset Management

## Market Update

Wednesday, 07 February 2024



## Global Markets

Asian stocks firmed on Wednesday as investors waited to see if Beijing's increasingly frantic efforts to prop up its sagging share markets would actually work, while bonds enjoyed a reprieve from recent selling. In recent days, China's regulators have announced further curbs on short selling and state investors said they were expanding their stock buying plans.

Bloomberg News also reported President Xi Jinping would discuss the stock market with financial regulators, though there was no confirmation this had happened or what was discussed. However, the jury is very much out on how effective all this will prove and the blue chip index inched up 0.4% in choppy early trade, while Shanghai stocks added 0.9%.

"Markets have shown that their bar to turning more optimistic around the economy has been high," said Galvin Chia, emerging markets strategist at NatWest. "There is also considerable uncertainty around what the government's longer-term approach is towards markets." "What I am wary of is a short term bounce gets quickly unwound after onshore markets return after the Lunar New Year break."

MSCI's broadest index of Asia-Pacific shares outside Japan gained 0.4% to a five-week top, helped by a 0.8% rise in South Korea. Japan's Nikkei dipped 0.1% as tech stocks dragged, though Toyota Motor 7203.T jumped on strong earnings. EUROSTOXX 50 futures and FTSE futures both added 0.1%. S&P 500 futures and Nasdaq futures were trading near flat. Companies reporting earnings on Wednesday include Uber, Walt Disney and PayPal.

The banking sector remained a concern as Moody's downgraded New York Community Bancorp NYCB.N to junk citing pressure on its funding and liquidity. The stock lost 22% on Tuesday, to be down 60% since it reported surprise losses last week. The timing of U.S. rate cuts was no clearer after Federal Reserve Presidents Loretta Mester and Neel Kashkari welcomed the progress on inflation but signalled there was more work to do before policy could be eased. Fed Philadelphia President Patrick Harker was more upbeat on achieving an economic soft landing and noted they were making "real progress" on inflation.

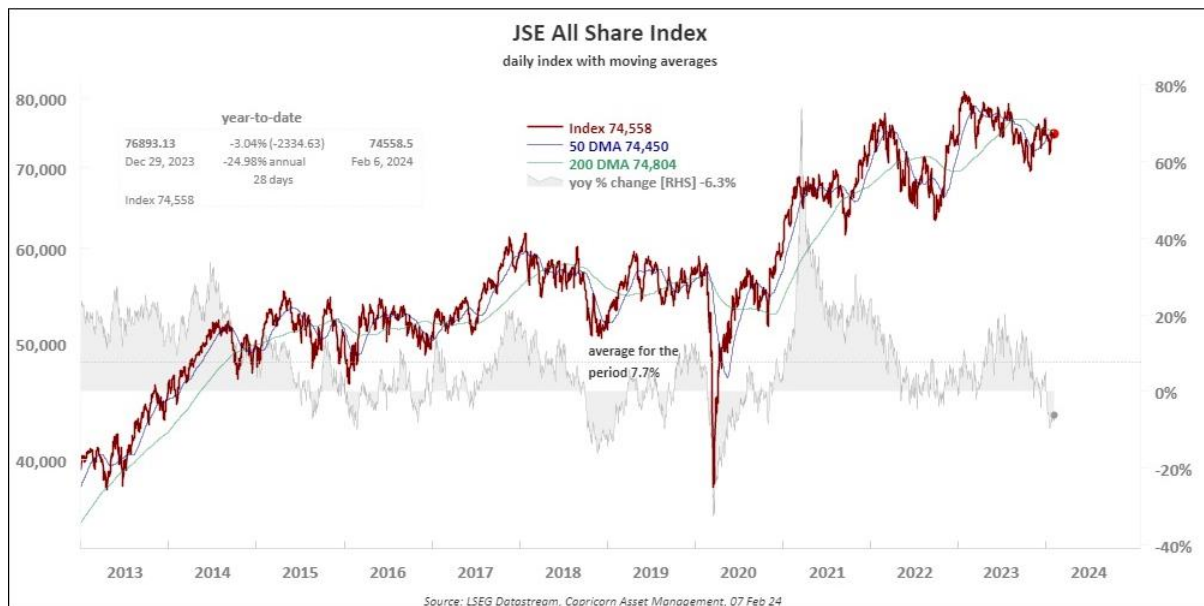
Further guidance will come later Wednesday as Fed speakers include Governors Adriana Kugler and Michelle Bowman, along with Presidents Thomas Barkin and Susan Collins. Fed fund futures still found buyers on Tuesday after two sessions of sharp falls, and the market essentially added 8 basis points of cuts back in for 2024. The probability of a cut as early as May now stands at just 39%, when it was considered a done deal just a week ago, while the chance of a quarter-point move in June remains at 100%. Futures imply around 122 basis points of easing for all of 2024, down from 145 basis points late last week.

Treasuries also bounced as a sale of three-year paper drew solid demand, and 10-year yields dipped to 4.086% from Monday's top of 4.177%. The drop in yields took some steam out of the U.S. dollar which eased to 147.85 yen and away from the recent 10-week peak of 148.90.

The euro has had its own troubles with a string of soft economic data at home and was flat at \$1.0757, some distance from last week's top of \$1.0897. The dip in the dollar helped gold steady at \$2,035 an ounce, having been as low as \$2,013.70 early in the week.

Oil prices found support from a U.S. Energy Department assessment that U.S. output would grow by only 170,000 barrels per day (bpd) this year, instead of a previously forecasted pace of 290,000 bpd. Brent rose 18 cents to \$78.77 a barrel, while U.S. crude edged up 21 cents to \$73.52 per barrel.

**Source: Thomson Reuters Refinitiv**



## Domestic Markets

South Africa's rand was stronger on Tuesday, as the U.S. dollar slipped from the previous day's 11-week high on lowered expectations of an early interest rate cut by the Federal Reserve. At 1600 GMT, the rand traded at 18.8825 against the dollar, over 1% stronger than Monday's close.

The dollar index was last down 0.13% at 104.32 against a basket of major currencies.

Investors will be looking toward President Cyril Ramaphosa's State of the Nation Address (SONA) on Thursday to see what solutions are proposed to fix South Africa's power crisis and rail and port problems, which have strangled growth in Africa's most industrialised economy. "An extended surge in the U.S. dollar may have driven some of the (rand's) weakness, but SA has done itself no favours and will not stand out as a currency to buy unless the state takes dramatic reform action," ETM Analytics said in a research note.

Shares on the Johannesburg Stock Exchange rose, with the blue-chip Top-40 index ending 0.86% higher. South Africa's benchmark 2030 government bond was weaker, with the yield up 4 basis points to 9.845%.

Source: Thomson Reuters Refinitiv

Expect problems and eat them for breakfast.

Alfred A. Montapert

## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				07 February 2024	
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	➡	8.79	0.000	8.79	8.79
6 months	⬆	8.85	0.017	8.83	8.85
9 months	⬆	8.91	0.058	8.86	8.91
12 months	⬆	8.97	0.067	8.90	8.97
<b>Nominal Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC24 (Coupon 10.50%, BMK R186)	⬇	8.96	-0.030	8.99	8.93
GC25 (Coupon 8.50%, BMK R186)	⬇	9.05	-0.030	9.08	9.02
GC26 (Coupon 8.50%, BMK R186)	⬇	9.05	-0.030	9.08	9.02
GC27 (Coupon 8.00%, BMK R186)	⬇	9.17	-0.030	9.20	9.14
GC28 (Coupon 8.50%, BMK R2030)	⬇	9.37	-0.040	9.41	9.37
GC30 (Coupon 8.00%, BMK R2030)	⬇	9.41	-0.040	9.45	9.41
GC32 (Coupon 9.00%, BMK R213)	⬇	9.91	-0.055	9.96	9.92
GC35 (Coupon 9.50%, BMK R209)	⬇	10.92	-0.070	10.99	10.93
GC37 (Coupon 9.50%, BMK R2037)	⬇	12.11	-0.055	12.17	12.11
GC40 (Coupon 9.80%, BMK R214)	⬇	12.28	-0.085	12.37	12.27
GC43 (Coupon 10.00%, BMK R2044)	⬇	12.51	-0.080	12.59	12.52
GC45 (Coupon 9.85%, BMK R2044)	⬇	12.34	-0.080	12.42	12.35
GC48 (Coupon 10.00%, BMK R2048)	⬇	12.45	-0.080	12.53	12.46
GC50 (Coupon 10.25%, BMK: R2048)	⬇	12.18	-0.080	12.26	12.19
<b>Inflation-Linked Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
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
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	⬆	2,035	0.53%	2,025	2,033
Platinum	⬆	904	0.79%	897	900
Brent Crude	⬆	78.6	0.77%	78.0	78.6
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	⬆	1,550	0.49%	1,542	1,550
JSE All Share	⬆	74,559	0.71%	74,034	74,559
SP500	⬆	4,954	0.23%	4,943	4,954
FTSE 100	⬆	7,681	0.90%	7,613	7,681
Hangseng	⬆	16,137	4.04%	15,510	16,086
DAX	⬆	17,033	0.76%	16,904	17,033
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	⬆	17,279	0.47%	17,198	17,279
Resources	⬆	52,599	0.72%	52,223	52,599
Industrials	⬆	104,498	1.15%	103,315	104,498
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	⬇	18.84	-1.17%	19.06	18.86
N\$/Pound	⬇	23.73	-0.66%	23.88	23.77
N\$/Euro	⬇	20.26	-1.05%	20.47	20.30
US dollar/ Euro	⬆	1.075	0.12%	1.074	1.076
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>Jan 24</b>	<b>Dec 23</b>	<b>Jan 24</b>	<b>Dec 23</b>
Central Bank Rate	➡	7.75	7.75	8.25	8.25
Prime Rate	➡	11.50	11.50	11.75	11.75
		<b>Dec 23</b>	<b>Nov 23</b>	<b>Dec 23</b>	<b>Nov 23</b>
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 listeds

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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.*



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