

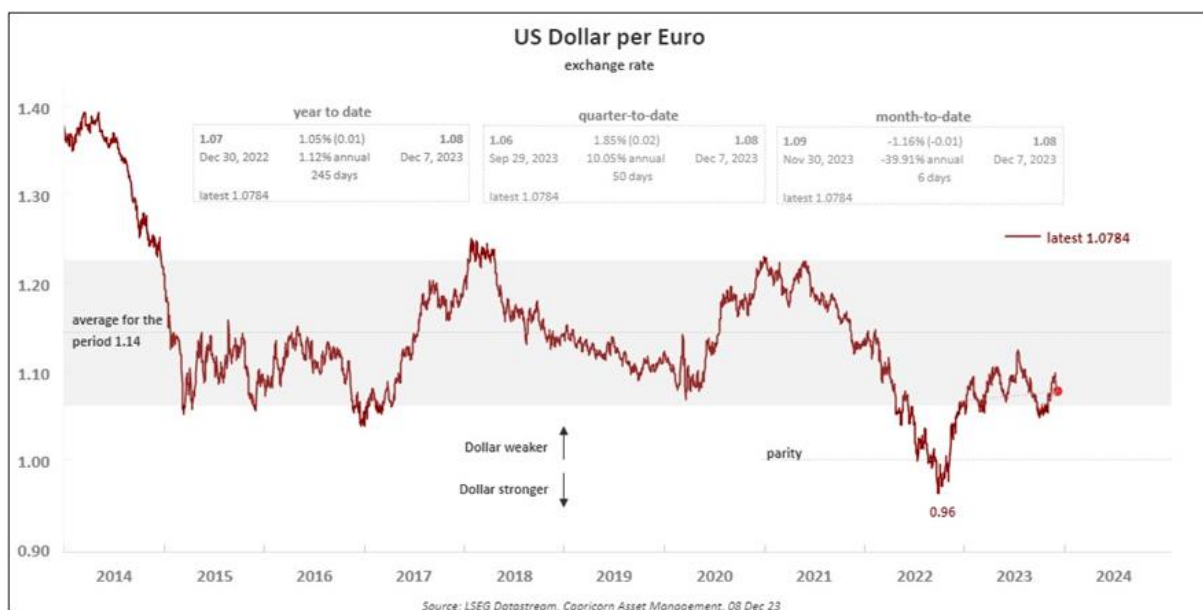
# The Daily Brief



Capricorn Asset Management

## Market Update

Friday, 08 December 2023



## Global Markets

Japanese markets were reeling on Friday, with the Nikkei heading for its biggest weekly drop since October, bonds battered and the yen surging toward its largest weekly gain for five months as investors rushed out of bets on Japanese rates staying low. Beyond Japan MSCI's broadest index of Asia-Pacific shares ex Japan rose 0.5% and Treasuries sold slightly. The Nikkei was down 1.6% for a weekly drop of 3.3%. Other moves were more modest as traders wait on U.S. labour data due later in the day.

The yen leapt more than 2% on Thursday and was well supported on Friday, though kept below an overnight four-month peak of 141.6 per dollar to trade at 143.39. Bank of Japan Governor Kazuo Ueda told parliament on Thursday the central bank faces an "even more challenging" year ahead before discussing options for exiting its ultra-easy settings, which traders took as a sign of change in the offing. The BOJ is due to set policy rates on Dec. 19. "This may prove to be too soon for large steps to be unveiled, but... we believe it is a matter of when, not if, the BOJ jettisons its negative interest rate regime," said Corpay currency strategist Peter Dragicevich. "This eventual turn and the capital flow implications... underpins our forecasts looking for the 'undervalued' yen to strengthen over the next year. This is also one of the pillars behind our outlook for the dollar to weaken."

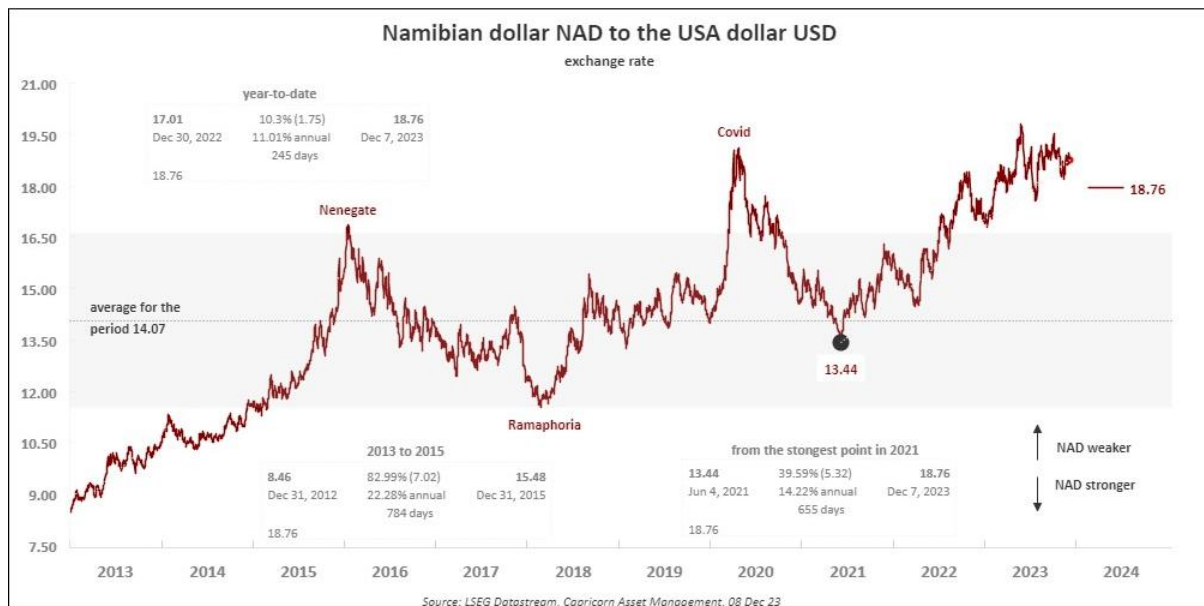
Japan's bond market remained under heavy pressure, with the 10-year government bond yield up almost 15 basis points in two sessions to 0.79%, although still well below the BOJ's soft cap of 1%. Five-year bonds, which suffered their sharpest single-day selloff in a decade on Thursday, with the yield up 10.5 bps, rose another 3.5 bps to 0.375% on Friday. Yields rise when bond prices fall. Data showing Japan's economy fell faster than first estimated in the third quarter, as the household sector faced growing headwinds, complicating the central bank's outlook.

U.S. jobless claims met expectations, leaving the focus on whether Friday's broader payroll figures will reflect growing signs that the job market is slowing. Overnight the Nasdaq finished 1.4% higher after a 5.3% jump for Google parent Alphabet as markets cheered the launch of its newest AI model. Shares in Australian gas producer Santos were last up 6% on news it was in talks with larger rival Woodside about a merger. Woodside shares fell 1%.

In currency trade the yen's surge has the dollar index eyeing a slim weekly loss =USD at 103.59. The euro was lower for the week at \$1.0785. The Australian dollar, weighed by a slowing economy and traders' perception that the central bank is turning dovish, was set to snap a three-week winning streak with a 1% drop this week to \$0.6607.

Brent crude futures touched a five-month low overnight, before recovering slightly to \$75.02 a barrel in Asia trade. Oil is set for a 5% fall this week. Gold, having touched a record high early in the week before recoiling, was clinging on at \$2,032 an ounce. Bitcoin BTC=BTSP is eyeing an eighth consecutive weekly gain on expectations that U.S. interest rates have peaked and anticipation that a bitcoin ETF might be approved. It last bought \$43,484.

**Source: Thomson Reuters Refinitiv**



## Domestic Markets

The South African rand gained on Thursday on increasing bets that the U.S. Federal Reserve might implement interest rate cuts early next year. At 1506 GMT, the rand traded at 18.8250 against the dollar, up over 0.7%, while the dollar was last trading 0.25% weaker against a basket of global currencies.

A slew of economic data has illustrated a softness in the U.S. labour market and has strengthened the market's view of a pivot in the Fed's policy through next year, said Bheki Mahlobo, a market analyst at ETM Analytics. "The pricing in of rate cuts from potentially as early as March has seen UST (U.S. Treasury) yields trading lower, improving the outlook on riskier assets such as the ZAR, with the currency further supported by lower oil prices," Mahlobo said.

Global investor focus will now turn towards payrolls data on Friday, which could give hints on the future interest rate path of the world's biggest economy. The rand often takes cues from global factors such as U.S. monetary policy in addition to local drivers. Locally, South African Reserve Bank data earlier showed the country's current account deficit narrowed sharply in the third quarter to 0.3% of gross domestic product from a revised 2.7% in the second quarter. Separately, South Africa's net foreign reserves rose to \$56.319 billion at the end of November from \$55.510 billion in October.

On the Johannesburg Stock Exchange, the blue-chip Top-40 index closed over 0.8% lower. South Africa's benchmark 2030 government bond was marginally stronger, with the yield down 0.5 basis point to 9.975%.

**Source: Thomson Reuters Refinitiv**

The most worth-while thing is to try to put happiness into the lives of others.

**Robert Baden-Powell**

## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				08 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	↑	8.60	0.008	8.59	8.60
9 months	↑	8.61	0.008	8.60	8.61
12 months	↑	8.55	0.008	8.55	8.55
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	↑	8.03	0.015	8.02	8.03
GC25 (Coupon 8.50%, BMK R186)	↑	8.84	0.015	8.82	8.84
GC26 (Coupon 8.50%, BMK R186)	↑	8.15	0.015	8.13	8.15
GC27 (Coupon 8.00%, BMK R186)	↑	8.67	0.015	8.65	8.67
GC28 (Coupon 8.50%, BMK R2030)	↑	9.01	0.005	9.00	9.01
GC30 (Coupon 8.00%, BMK R2030)	↑	9.55	0.005	9.54	9.55
GC32 (Coupon 9.00%, BMK R213)	↑	10.15	0.010	10.14	10.15
GC35 (Coupon 9.50%, BMK R209)	↑	10.87	0.010	10.86	10.87
GC37 (Coupon 9.50%, BMK R2037)	↑	11.70	0.005	11.70	11.70
GC40 (Coupon 9.80%, BMK R214)	↑	11.69	0.015	11.68	11.69
GC43 (Coupon 10.00%, BMK R2044)	↑	11.74	0.015	11.73	11.74
GC45 (Coupon 9.85%, BMK R2044)	↑	12.26	0.015	12.25	12.26
GC48 (Coupon 10.00%, BMK R2048)	↑	12.25	0.015	12.24	12.25
GC50 (Coupon 10.25%, BMK: R2048)	↑	12.10	0.015	12.09	12.10
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	↑	3.30	0.100	3.20	3.30
GI27 (Coupon 4.00%, BMK NCPI)	⇒	4.74	0.000	4.74	4.72
GI29 (Coupon 4.50%, BMK NCPI)	⇒	5.17	0.000	5.17	5.13
GI33 (Coupon 4.50%, BMK NCPI)	⇒	5.77	0.000	5.77	5.76
GI36 (Coupon 4.80%, BMK NCPI)	⇒	6.13	0.000	6.13	6.10
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	2,028	0.17%	2,025	2,031
Platinum	↑	907	1.97%	890	912
Brent Crude	↓	74.1	-0.34%	74.3	75.2
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,615	-1.24%	1,635	1,615
JSE All Share	↓	74,787	-0.81%	75,401	74,787
SP500	↑	4,586	0.80%	4,549	4,586
FTSE 100	↓	7,514	-0.02%	7,515	7,514
Hangseng	↓	16,346	-0.71%	16,463	16,390
DAX	↓	16,629	-0.16%	16,656	16,629
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	16,773	-1.75%	17,072	16,773
Resources	↓	57,369	-0.32%	57,552	57,369
Industrials	↓	102,464	-0.55%	103,029	102,464
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	18.75	-1.10%	18.96	18.76
N\$/Pound	↓	23.62	-0.84%	23.82	23.61
N\$/Euro	↓	20.24	-0.83%	20.41	20.23
US dollar/ Euro	↑	1.079	0.28%	1.076	1.079
		Namibia		RSA	
Interest Rates & Inflation		Nov 23	Oct 23	Nov 23	Oct 23
Central Bank Rate	⇒	7.75	7.75	8.25	8.25
Prime Rate	⇒	11.50	11.50	11.75	11.75
		Nov 23	Oct 23	Oct 23	Sep 23
Inflation	↓	5.7	6.0	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 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.*



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**Bank Windhoek**

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