



Market Update

Thursday, 11 September 2025

Global Markets

The dollar has been beaten down this year as investors have priced in a resumption of the Federal Reserve's rate-cutting cycle. But even if lower nominal rates are already reflected in the greenback's price, lower 'real' rates may not be. The greenback has gotten a bit of respite recently after recording its worst start to any calendar year since the era of free-floating exchange rates was introduced over 50 years ago. But it will face a renewed headwind if its real interest rate support evaporates, which currently seems likely.

If the Fed pulls the rate cut trigger next week, as expected, it will be doing so with inflation around 3% - a percentage point above the central bank's 2% target. Further easing amid sticky prices means the gap between the U.S.'s inflation-adjusted or 'real' interest rate and those of its developed market peers should narrow – bad news for the dollar. The difference in inflation-adjusted or 'real' interest rates and yields is often thought to play the biggest role in determining the relative returns and purchasing power of currencies.

Depending on what cut of annual inflation you use, the 'real' federal funds rate right now is somewhere in the 1.3-1.8% range. That's much higher than equivalent rates in the euro zone, Britain and most notably Japan, where the real policy rate is deeply negative. You can argue this hasn't prevented the dollar's eye-popping decline so far this year. But maybe that 'real' advantage at the short end helped avert an even steeper slide. What's going to happen if that support evaporates?

It already has further out the curve. The dollar's 10% slide this year is thanks in no small part to the collapse in its positive real yield differentials in the five- and 10-year space, for example. These spreads are currently the narrowest since early 2022, but can shrink further. Rates futures traders expect the Fed to cut rates by some 150 basis points by the end of next year, the most in the developed world but only really playing catch-up with most of these countries.

On the other side of the 'real' rate equation is inflation, which remains sticky and above target across the developed world, but particularly in the United States – and that's before the tariff price shock truly hits. Economists at JP Morgan on Tuesday warned that, barring recession, 2026 will likely be the sixth year in a row expectations of inflation returning to target will not be met.

They note that policymakers' inflation forecasting record since 2021 has been "less than exemplary," to put it charitably. They reckon central banks have, on average, underestimated core inflation over the period by about one percentage point and overshot their targets by 1.5 percentage points.

The Bank of England has the worst record, but given the Fed's global prominence, its poor marks are what really stand out. The U.S. central bank's inflation forecasts have missed by an average of 1.3 percentage point over this period, and it has overshot its target by roughly 2 percentage points. Of course, maybe the sixth time will be the charm, and inflation will ease in line with Fed forecasts next year. The soft U.S. labor market appears quite a bit mushier following Tuesday's announcement of a record downward revision of payrolls growth. And if unemployment rises, consumer demand, economic activity, and price pressures will surely cool.

But for now, inflation concerns still appear to be simmering. U.S. consumer inflation expectations are, by some measures, closer to 5% than the Fed's 2% goal, financial conditions are the loosest in years, and monetary and fiscal stimulus look to be coming down the pike. Put everything together, and you have the recipe for lower U.S. real rates and more dollar pain.

Source: LSEG Thomson Reuters Refinitiv.

Domestic Markets

The South African rand firmed on Wednesday after softer-than-expected U.S. producer prices data cemented expectations that the Federal Reserve will resume cutting interest rates soon. U.S. producer prices unexpectedly fell in August, pulled down by a decline in the costs of services, Labor Department data showed. At 1437 GMT, the rand traded at 17.47 against the dollar , roughly 0.5% up on Tuesday's close.

The dollar was last down 0.2% against a basket of currencies as traders awaited the world's biggest economy's consumer price inflation print on Thursday, which could help define the size and scope of interest rate cuts from the Federal Reserve for next week and beyond. In South Africa, mining , manufacturing and current account data is also due on Thursday.

On the Johannesburg Stock Exchange, the Top-40 index was last up 0.4%. "Stock markets are still doing well, and investor sentiment remains positive... and as a result, the rand will still perform reasonably well," said ETM Analytics in a research note.

South Africa's benchmark 2035 government bond was slightly weaker in early deals, as the yield rose half a basis point to 9.49%.

Source: LSEG Thomson Reuters Refinitiv.

Have patience. All things are difficult before they
become easy.

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Market Overview

MARKET INDICATORS		11 September 2025			
Money Market TB's		Last Close	Change	Prev Close	Current Spot
3 months	↑	7.33	0.005	7.32	7.33
6 months	↓	7.44	-0.039	7.48	7.44
9 months	↓	7.50	-0.042	7.54	7.50
12 months	↓	7.51	-0.041	7.55	7.51
Nominal Bonds		Last Close	Change	Prev Close	Current Spot
GC26 (Coupon 8.50%, BMK: R186)	→	7.46	0.000	7.46	7.41
GC27 (Coupon 8.00%, BMK: R186)	→	7.80	0.000	7.80	7.76
GC30 (Coupon 8.00%, BMK: R2030)	↓	8.89	-0.020	8.91	8.84
GC32 (Coupon 9.00%, BMK: R213)	↓	9.46	-0.022	9.48	9.40
GC35 (Coupon 9.50%, BMK: R209)	↓	10.56	-0.040	10.60	10.50
GC37 (Coupon 9.50%, BMK: R2037)	↓	10.95	-0.045	11.00	10.89
GC40 (Coupon 9.80%, BMK: R214)	↓	11.39	-0.053	11.44	11.33
GC43 (Coupon 10.00%, BMK: R2044)	↓	11.63	-0.047	11.68	11.57
GC45 (Coupon 9.85%, BMK: R2044)	↓	11.78	-0.048	11.83	11.72
GC50 (Coupon 10.25%, BMK: R2048)	↓	11.93	-0.052	11.98	11.88
Inflation-Linked Bonds		Last Close	Change	Prev Close	Current Spot
GI27 (Coupon 4.00%, BMK: NCPI)	→	4.53	0.000	4.53	4.48
GI29 (Coupon 4.50%, BMK: NCPI)	→	5.02	0.000	5.02	4.97
GI33 (Coupon 4.50%, BMK: NCPI)	→	5.36	0.000	5.36	5.31
GI36 (Coupon 4.80%, BMK: NCPI)	→	5.91	0.000	5.91	5.86
Commodities		Last Close	Change	Prev Close	Current Spot
Gold	↑	3,641	0.39%	3,627	3,622
Platinum	↑	1394	1.39%	1375	1384
Brent Crude	↑	67.5	1.66%	66.39	67.08
Main Indices		Last Close	Change	Prev Close	Current Spot
NSX Local Index	↑	1122	0.81%	1113	1122
JSE All Share	↓	103,464	-0.12%	103,588	103,464
S&P 500	↑	6,532	0.29%	6,513	6,532
FTSE 100	↑	9,261	0.39%	9,225	9,261
Hangseng	↓	26,086	-0.44%	26,200	26,086
DAX	↑	23,636	0.01%	23,633	23,636
JSE Sectors		Last Close	Change	Prev Close	Current Spot
Financials	↓	21,337	-0.70%	21,487	21,584
Resources	↑	99,718	2.75%	97,045	98,062
Industrials	↓	138,299	-0.32%	138,745	138,447
Forex		Last Close	Change	Prev Close	Current Spot
N\$/US Dollar	↓	17.49	-0.29%	17.54	17.54
N\$/Pound	↓	23.66	-0.29%	23.73	23.70
N\$/Euro	↓	20.45	-0.44%	20.54	20.50
US Dollar/ Euro	→	1.170	0.00%	1.17	1.17
Interest Rates & Inflation		Namibia		RSA	
		Aug-25	Jul-25	Aug-25	Jul-25
Central Bank Rate	→	6.75	6.75	7.00	7.00
Prime Rate	→	10.50	10.50	10.50	10.50
		Aug-25	Jul-25	Jul-25	Jun-25
Inflation	↓	3.2	3.5	3.5	3.0

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

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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