

The Daily Brief



Capricorn Asset Management

Market Update

Tuesday, 13 February 2024



Global Markets

Global stock indexes were little changed on Monday while the U.S. dollar inched higher ahead of Tuesday's U.S. consumer price index report, which could provide clues on when the Federal Reserve is likely to begin cutting interest rates. In cryptocurrencies, bitcoin hit the \$50,000 level for the first time in more than two years. Bitcoin was last up 5.6% at \$50,207. Crypto stocks also were higher; Coinbase Global rose 3.7%. The S&P 500 ended down slightly after hitting a fresh intraday record high. Last week the S&P 500 finished above 5,000 points for the first time ever. The MSCI world stock index was flat after touching its highest level since January 2022.

The January consumer price index report is due Tuesday, while the U.S. producer prices report is due later in the week. Investors are also eager to see Thursday's U.S. retail sales report for January. Expectations of a Fed rate cut at its next meeting have fallen as some recent data has suggested the economy remains robust. Markets are pricing in an 84.5% chance of rates remaining unchanged in March. Also, the odds for at least a 25-basis-point rate reduction in May have dropped to 61%, from over 95% at the start of 2024, as per the CME FedWatch Tool. "Soft CPI and soft retail sales should help boost the Fed's confidence that inflation is coming back to its target," said Marc Chandler, chief market strategist at Bannockburn Global Forex in New York.

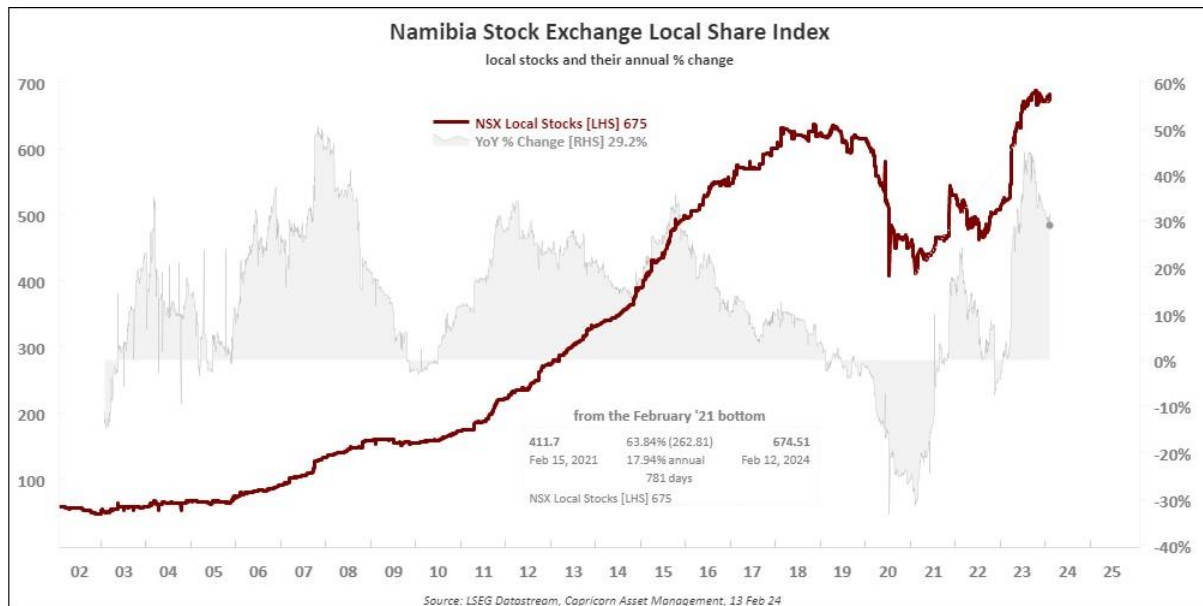
The Dow Jones Industrial Average rose 125.69 points, or 0.33%, to 38,797.38, the S&P 500 lost 4.77 points, or 0.09%, to 5,021.84 and the Nasdaq Composite lost 48.12 points, or 0.30%, to 15,942.55. The MSCI world equity index, which tracks shares in 49 nations, lost 0.01%. European stocks were up 0.5%. Markets in China, Hong Kong, Japan, South Korea, Singapore, Taiwan, Vietnam and Malaysia were closed for holidays. Mainland China's financial markets are closed for the Lunar New Year holiday and will resume trade on Monday, Feb. 19. Hong Kong trade will resume on Feb. 14.

Investors have also reduced their expectations for rate cuts by the European Central Bank, after two policymakers said last week that the ECB needs more evidence that inflation is easing before it can cut rates. On Monday, the Federal Reserve Bank of New York released its January Survey of Consumer Expectations, which showed inflation a year and five years from now were unchanged at readings of 3% and 2.5%, respectively. The projected rise in inflation three years from now dropped to 2.4%, the lowest since March 2020, from December's 2.6%.

The dollar index, which tracks the greenback against a basket of currencies of other major trading partners, was up 0.1% at 104.13. The dollar rose 0.03% against the yen to 149.35, while the euro was down 0.1% on the day at \$1.0769. U.S. Treasury yields dipped, with the benchmark 10-year Treasury note pausing after three straight sessions of gains. The yield on benchmark U.S. 10-year notes ticked down 1.9 basis point to 4.168%, from 4.187% late on Friday.

Oil futures ended mixed near flat. Concerns about interest rates and global demand caused the market to take a break after prices jumped about 6% last week. U.S. crude rose 8 cents to settle at \$76.92 a barrel. Brent crude fell 19 cents to settle at \$82. Spot gold prices fell 0.3%.

Source: Thomson Reuters Refinitiv



Domestic Markets

South Africa's rand was slightly stronger on Monday but remained close to the 19.0 mark, with no positive domestic news in sight to lift it, analysts said. At 1515 GMT, the rand traded at 18.9850 against the U.S. dollar, about 0.3% stronger than its previous close. The dollar index was last up about 0.23% at 104.220.

South African markets shrugged off President Cyril Ramaphosa's State of the Nation Address last week, in which he gave little detail about his plans to address major challenges such as power cuts. Investors will turn next towards the yearly budget presentation on Feb. 21, which will lay out the government's spending priorities, revenue collection measures and updated economic forecasts. Several negative factors including the president's lacklustre address, a weak growth outlook and political uncertainty are keeping the rand undervalued, said analysts.

"The uncertainty ahead of South Africa's election is putting a damper on the domestic currency, with the date not yet set," said Annabel Bishop, chief economist at Investec. "Also negative for the rand, the political heat has increased substantially this year...with polls showing widely differing results for parties as the months wear on," she said. General elections are expected to be held between May and August.

Statistics South Africa will release gold and mining production and retail sales figures later this week, which could give some clues about the state of the economy. On the stock market, the Top-40 index closed 0.52% higher while the broader all-share was up 0.41%. South Africa's benchmark 2030 government bond was weaker, with the yield up 9 basis points to 10.045%.

Source: Thomson Reuters Refinitiv

The only way to discover the limits of the possible is to go beyond them into the impossible.

Arthur C. Clarke

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				13 February 2024	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	⇒	8.79	0.000	8.79	8.79
6 months	↑	8.85	0.008	8.85	8.85
9 months	↑	8.92	0.009	8.91	8.92
12 months	↑	9.00	0.008	9.00	9.00
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	↑	9.07	0.060	9.01	9.07
GC25 (Coupon 8.50%, BMK R186)	↑	9.16	0.060	9.10	9.16
GC26 (Coupon 8.50%, BMK R186)	↑	9.16	0.060	9.10	9.16
GC27 (Coupon 8.00%, BMK R186)	↑	9.28	0.060	9.22	9.28
GC28 (Coupon 8.50%, BMK R2030)	↑	9.58	0.105	9.47	9.58
GC30 (Coupon 8.00%, BMK R2030)	↑	9.62	0.105	9.51	9.62
GC32 (Coupon 9.00%, BMK R213)	↑	10.12	0.115	10.01	10.12
GC35 (Coupon 9.50%, BMK R209)	↑	11.14	0.105	11.04	11.14
GC37 (Coupon 9.50%, BMK R2037)	↑	12.30	0.110	12.19	12.30
GC40 (Coupon 9.80%, BMK R214)	↑	12.49	0.105	12.39	12.48
GC43 (Coupon 10.00%, BMK R2044)	↑	12.71	0.110	12.60	12.71
GC45 (Coupon 9.85%, BMK R2044)	↑	12.54	0.110	12.43	12.54
GC48 (Coupon 10.00%, BMK R2048)	↑	12.65	0.105	12.55	12.65
GC50 (Coupon 10.25%, BMK: R2048)	↑	12.38	0.105	12.28	12.38
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	↓	3.90	-0.500	4.40	3.90
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
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	2,020	-0.22%	2,024	2,019
Platinum	↑	889	1.97%	872	889
Brent Crude	↓	82.0	-0.23%	82.2	82.1
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,517	0.77%	1,506	1,517
JSE All Share	↑	73,722	0.41%	73,423	73,722
SP500	↓	5,022	-0.09%	5,027	5,022
FTSE 100	↑	7,574	0.01%	7,573	7,574
Hangseng	⇒	15,747	0.00%	15,747	15,747
DAX	↑	17,037	0.65%	16,927	17,037
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	17,113	0.07%	17,100	17,113
Resources	↑	50,477	1.53%	49,718	50,477
Industrials	↑	104,890	0.14%	104,743	104,890
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	18.90	-0.79%	19.05	18.92
N\$/Pound	↓	23.87	-0.77%	24.05	23.86
N\$/Euro	↓	20.35	-0.90%	20.54	20.36
US dollar/ Euro	↓	1.077	-0.10%	1.078	1.076
		Namibia		RSA	
Interest Rates & Inflation		Jan 24	Dec 23	Jan 24	Dec 23
Central Bank Rate	⇒	7.75	7.75	8.25	8.25
Prime Rate	⇒	11.50	11.50	11.75	11.75
		Jan 24	Dec 23	Dec 23	Nov 23
Inflation	↑	5.4	5.3	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 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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