

The Daily Brief



Capricorn Asset Management

Market Update

Friday, 13 October 2023



Global Markets

Asian shares slid on Friday and were on course for their steepest one-day percentage decline in a week after stronger-than-expected U.S. consumer prices figures bolstered the case for the Federal Reserve to keep rates higher for longer. MSCI's broadest index of Asia-Pacific shares outside Japan fell 1.2%, having scaled a three-week peak on Thursday. It is, however, still set for a decent gain of 1.4% for the week, snapping a three-week losing streak.

The sour mood was set to continue in Europe, with Eurostoxx 50 futures down 0.19%, German DAX futures losing 0.14% and FTSE futures 0.05% lower. Inflation reports from Sweden, Spain and France due later in the day will be in focus.

An increase in U.S. consumer prices for September contained a surprise surge in rental costs and traders now see a stronger chance that the Fed will end up delivering another hike this year. Futures contracts that settle to the Fed policy rate reflect about a 40% probability of a rate hike in December, compared with about a 28% chance seen before the CPI report. Ryan Brandham, head of global capital markets, North America at Validus Risk Management, said the data highlights the challenges the Fed will face bringing inflation down to its 2% target. Separate data also showed the number of Americans receiving benefits after an initial week of aid, a proxy for hiring, increased

30,000 to a still-low 1.702 million during the week ended Sept. 30. "The labour market softening is key to the Fed achieving its goal of returning inflation to target, and the hawks calling for at least another hike will be supported based on these numbers," Brandham said. The inflation report along with poor demand for an auction of U.S. 30-year bonds sent Treasury yields higher on Thursday. "Much of the 'good' work done in the past week in the form of bull flattening of the US yield curve has been undone by the latest US CPI report," said Ray Attrill, head of FX strategy at National Australia Bank.

In Asian hours on Friday, the yield on 10-year Treasury notes was down 4.1 basis points at 4.67% but remained far off the two-week low of 4.53% it touched a day earlier.

Data on Friday showed China's consumer prices were flat in September, while factory-gate prices shrank at slower pace, indicating deflationary pressures persist. But China's exports and imports shrank at a slower pace for a second month in September, adding to signs of a gradual stabilization in the world's second-biggest economy. China's blue-chip stock index fell 1.1%, while the Hang Seng Index sank 2%. Japan's Nikkei was 0.53% lower, while Australia's S&P/ASX 200 index lost 0.47%.

The week's sharp escalation of Middle East tensions has also ensured the mood remains cautious across markets.

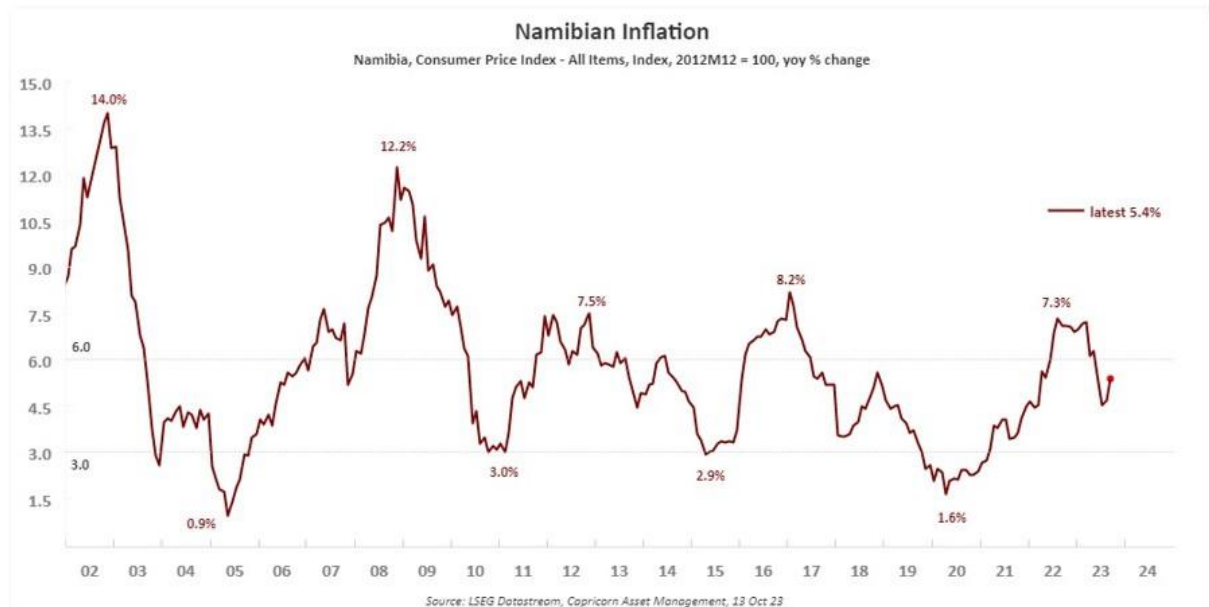
Investors will next focus on remarks by Federal Reserve Chair Jerome Powell who is due to speak on 19 October, just before the U.S. central bank's blackout period begins ahead of its next interest-rate decision. The Fed next meets 31 October -1 November.

The risk-off mood also prevailed in the currency market, with the dollar holding on to overnight gains. Against a basket of currencies, the dollar eased 0.103% to 106.40, having gained 0.8% overnight. The euro climbed 0.19% to \$1.0548, while sterling was at \$1.2204, up 0.24%. The dollar's ascent has again put the Japanese yen under pressure, with the yen at 149.60 per dollar.

Gold prices edged up on Friday but remained below two-week highs hit in the previous session. Spot gold added 0.4% to \$1,876.79 an ounce.

Oil prices rose on Friday after the U.S. tightened its sanctions program against Russian crude exports, raising supply concerns in an already tight market. U.S. crude advanced 0.95% to \$83.70 per barrel and Brent was at \$86.66, up 0.77% on the day. Brent is set for a weekly gain of over 2%, while WTI is set to climb about 1% for the week as investors keep a wary eye on the potential for disruptions to Middle Eastern exports due to the Gaza crisis.

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand slipped on Thursday against a stronger dollar after U.S. inflation rose more than expected, fueling concerns that the Federal Reserve will keep interest rates high for a while. At 1526 GMT, the rand traded at 18.95 against the dollar, about 0.6% weaker than its previous close, after making strong gains on Tuesday and Wednesday. The dollar last traded around 0.7% stronger against a basket of global currencies.

Data out of the U.S. on Thursday showed that underlying inflation slowed, boosting bets that the Fed would hold off on a rate hike in November. However, annual inflation reaching the Fed's 2% target could take some time, making it likely that the central bank could keep rates elevated for longer. The rand, like other emerging market currencies, is highly sensitive to global drivers such as U.S. economic data.

Locally, South African business confidence fell marginally in September, while total mining output fell 2.5% year on year in August, data showed. The country's manufacturing output rose 1.6% year on year in August after rising by a revised 2.2% in July. "The current business climate is not conducive to stimulating overall economic activity," said the South African Chamber of Commerce and Industry.

On the Johannesburg Stock Exchange, the blue-chip Top-40 closed about 0.7% lower.

South Africa's benchmark 2030 government bond was stronger, with the yield down 5.5 basis points to 10.67%.

Source: Thomson Reuters Refinitiv

My only feeling about superstition is that it's unlucky to be behind at the end of the game.

Duffy Daugherty

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				13 October 2023	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	⇒	8.24	0.000	8.24	8.24
6 months	↓	8.76	-0.025	8.78	8.76
9 months	↓	8.91	-0.025	8.93	8.91
12 months	↓	9.01	-0.017	9.02	9.01
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	↓	9.48	-0.005	9.49	9.48
GC25 (Coupon 8.50%, BMK R186)	↓	9.30	-0.005	9.31	9.30
GC26 (Coupon 8.50%, BMK R186)	↓	9.21	-0.005	9.22	9.21
GC27 (Coupon 8.00%, BMK R186)	↓	9.68	-0.005	9.69	9.68
GC28 (Coupon 8.50%, BMK R2030)	↓	10.27	-0.055	10.33	10.27
GC30 (Coupon 8.00%, BMK R2030)	↓	10.59	-0.055	10.65	10.59
GC32 (Coupon 9.00%, BMK R213)	↓	10.78	-0.042	10.82	10.78
GC35 (Coupon 9.50%, BMK R209)	↓	11.72	-0.025	11.75	11.72
GC37 (Coupon 9.50%, BMK R2037)	↓	12.26	-0.040	12.30	12.26
GC40 (Coupon 9.80%, BMK R214)	↓	12.71	-0.020	12.73	12.68
GC43 (Coupon 10.00%, BMK R2044)	↓	12.68	-0.035	12.71	12.68
GC45 (Coupon 9.85%, BMK R2044)	↓	13.08	-0.035	13.11	13.08
GC48 (Coupon 10.00%, BMK R2048)	↓	13.19	-0.030	13.22	13.19
GC50 (Coupon 10.25%, BMK: R2048)	↓	13.28	-0.030	13.31	13.28
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	⇒	3.20	0.000	3.20	3.20
GI27 (Coupon 4.00%, BMK NCPI)	⇒	4.51	0.000	4.51	4.51
GI29 (Coupon 4.50%, BMK NCPI)	⇒	5.11	0.000	5.11	5.11
GI33 (Coupon 4.50%, BMK NCPI)	⇒	5.71	0.000	5.71	5.71
GI36 (Coupon 4.80%, BMK NCPI)	⇒	6.07	0.000	6.07	6.07
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,869	-0.26%	1,874	1,877
Platinum	↓	869	-1.86%	885	866
Brent Crude	↑	86.0	0.21%	85.8	86.7
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,575	-1.19%	1,594	1,575
JSE All Share	↓	73,391	-0.62%	73,850	73,391
SP500	↓	4,350	-0.62%	4,377	4,350
FTSE 100	↑	7,645	0.32%	7,620	7,645
Hangseng	↑	18,238	1.93%	17,893	17,849
DAX	↓	15,425	-0.23%	15,460	15,425
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	16,204	-1.34%	16,424	16,204
Resources	↑	59,291	0.18%	59,186	59,291
Industrials	↓	99,169	-0.89%	100,062	99,169
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	19.01	0.96%	18.83	18.98
N\$/Pound	↓	23.13	-0.18%	23.18	23.16
N\$/Euro	↑	20.00	0.09%	19.99	20.02
US dollar/ Euro	↓	1.053	-0.86%	1.062	1.055
		Namibia		RSA	
Interest Rates & Inflation		Sep 23	Aug 23	Sep 23	Aug 23
Central Bank Rate	⇒	7.75	7.75	8.25	8.25
Prime Rate	⇒	11.50	11.50	11.75	11.75
		Sep 23	Aug 23	Aug 23	Jul 23
Inflation	↑	5.4	4.7	4.8	4.7

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.



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**
