



## Market Update

Friday, 15 March 2024

### Global Markets

Asian stocks slumped on Friday, tracking tech-led declines on Wall Street after hotter-than-forecast U.S. inflation knocked back bets for how soon and often the Federal Reserve will cut interest rates. A bigger-than-expected rise in producer prices in U.S. data overnight added to a heated reading on consumer inflation earlier in the week to see futures markets cutting the odds of a June policy easing to 60%, from about 67% late on Wednesday, according to LSEG's rate probability app. For 2024, the market is now pricing in less than three rate cuts, down from three to four roughly two weeks ago.

The biggest reaction was in the U.S. Treasury bond market, with a pop in yields pulling the dollar along as well.

U.S. benchmark bond yields held near the 4.3% level they reached on Thursday for the first time this month, following their biggest jump in three months. The 10-year Treasury yield last stood around 4.28% on Friday, holding on to most of its more than 10 basis point jump from the previous session.

The dollar advanced to its highest since March 5 against a basket of major peers. The dollar index, which measures the currency against the euro, yen and four other peers, added 0.07% to 103.45, following a 0.58% rally on Thursday, its best day in more than a month.

The direct impact on equities was muted, but the jump in long-term yields is "raising the spectre of a potential air pocket ahead for the tech-driven rally," he said. U.S. stock futures pointed marginally lower following a 0.29% decline in the S&P 500 on Thursday.

However, the impact of a big sell off in chip-sector shares reverberated in Asian markets, weighing on stock indexes around the region. Hong Kong's Hang Seng Index slid more than 2%, as did South Korea's Kospi, which fell 1.6%. Mainland Chinese blue chips were likewise bruised and edged 0.6% lower. China's central bank left a key policy rate unchanged, while withdrawing cash from a medium-term policy loan operation on Friday. Japan's Nikkei eased 0.33%.

Signs continue to build for an exit from ultra-easy stimulus at the Bank of Japan's two-day policy meeting ending on Tuesday of next week. The government appeared to back a policy shift, with Finance Minister Shunichi Suzuki stating on Friday that the economy is no longer in deflation, despite saying earlier in the week that it was too soon to declare an end to the nation's protracted spiral of falling prices. Jiji news agency reported on Thursday that the BOJ has started to make arrangements to end its negative interest rate policy at the gathering. Sources have told Reuters that the central

bank will debate the end of negative rates if the preliminary survey on big firms' wage talks, due on Friday, yields strong results. Japan's 10-year bond yield rose to 0.795% for the first time in more than three months. Any yen strength was overpowered by the resurgent dollar, which gained 0.03% to 148.35 yen , continuing its rebound from a drop as low as 146.48 a week ago.

The euro extended Thursday's decline and reached a low of \$1.08735, its lowest level in a week. Last Friday, it climbed as high as \$1.0980, a two-month high.

Elsewhere, oil prices succumbed to some profit taking on Friday, following strong gains this week amid sharp declines in U.S. crude and fuel inventories, drone strikes on Russian refineries and a rise in energy demand forecasts. Brent crude oil futures for May fell 18 cents, or 0.21%, to \$85.24 a barrel. U.S. West Texas Intermediate (WTI) crude for April fell 17 cents, or 0.2%, to \$81.10.

**Source: Thomson Reuters Refinitiv**

## Domestic Markets

South Africa's rand extended its losses against a strong U.S. dollar on Thursday after a mixed batch of local mining and manufacturing data. At 1518 GMT, the rand traded at 18.7875 against the dollar, almost 1.2% weaker than its previous close.

South Africa's manufacturing output rose 2.6% year-on-year in January, statistics agency data showed, higher than economists polled by Reuters had expected. December output was revised upwards to 1.3% year-on-year. But new mining figures showed an unexpected downturn. Total mining output was down 3.3% year-on-year in January, while gold production, opens new tab was down 12.7% year-on-year.

A bigger factor in the rand's weakness may have been the rising dollar, which was last trading up almost 0.6% against a basket of currencies after U.S. inflation data. Like most emerging market currencies, the rand takes direction from global factors such as U.S. monetary policy in addition to domestic economic releases.

On the Johannesburg Stock Exchange, the Top-40 index closed 0.63% lower. Africa's biggest lender by assets Standard Bank said on Thursday its annual profit jumped by 27% as high interest rates helped offset rising bad loans. The lender posted headline earnings of 42.9 billion rand (\$2.31 billion) for the year ended Dec. 31, while total net income grew by 20% to 177.6 billion rand, driven by net interest income growth of 25% and non-interest revenue growth of 13%. The top five private South African banks, including Standard Bank - among the continent's biggest - are generally known to have well-capitalised balance sheets and conservative lending practices.

South Africa's ruling African National Congress (ANC) party is betting on retaining its parliamentary majority in a May election and is not in talks with other parties on a possible coalition government, the party's deputy secretary general said. South Africans will go to polls on May 29 to elect a new National Assembly, which will then choose the next president. "We will not go to war having accepted defeat. We are going to war to win," ANC veteran Nomvula Mokonyane told Reuters in an interview, adding that the party was aware that "stakes are high because not everybody is comfortable with us in power."

The benchmark 2030 government bond fell, with the yield up 3 basis points to 10.240%.

**Source: Thomson Reuters Refinitiv**

I love deadlines. I like the whooshing sound they make as they fly by.

**Douglas Adams**

## Market Overview

MARKET INDICATORS (Bloomberg)				15 March 2024	
<b>Money Market TB's</b>		<b>Last Close</b>	<b>Change</b>	<b>Prev Close</b>	<b>Current Spot</b>
3 months	↑	8.70	0.006	8.70	8.70
6 months	↓	8.80	-0.008	8.81	8.80
9 months	↑	8.92	0.006	8.92	8.92
12 months	↑	8.96	0.049	8.92	8.96
<b>Nominal Bonds</b>		<b>Last Close</b>	<b>Change</b>	<b>Prev Close</b>	<b>Current Spot</b>
GC24 (Coupon 10.50%, BMK: R186)	↑	8.97	0.085	8.89	8.95
GC25 (Coupon 8.50%, BMK: R186)	↑	9.27	0.063	9.21	9.27
GC26 (Coupon 8.50%, BMK: R186)	↑	9.20	0.035	9.16	9.20
GC27 (Coupon 8.00%, BMK: R186)	↑	9.33	0.005	9.33	9.34
GC30 (Coupon 8.00%, BMK: R2030)	↑	10.02	0.146	9.87	10.02
GC32 (Coupon 9.00%, BMK: R213)	↑	10.27	0.001	10.27	10.27
GC35 (Coupon 9.50%, BMK: R209)	↓	11.10	-0.001	11.10	11.10
GC37 (Coupon 9.50%, BMK: R2037)	↓	12.22	-0.073	12.29	12.22
GC40 (Coupon 9.80%, BMK: R214)	↑	12.71	0.011	12.70	12.71
GC43 (Coupon 10.00%, BMK: R2044)	↑	12.79	0.001	12.79	12.79
GC45 (Coupon 9.85%, BMK: R2044)	↓	13.29	-0.316	13.60	13.29
GC50 (Coupon 10.25%, BMK: R2048)	↓	13.09	-0.579	13.67	13.09
<b>Inflation-Linked Bonds</b>		<b>Last Close</b>	<b>Change</b>	<b>Prev Close</b>	<b>Current Spot</b>
GI25 (Coupon 3.80%, BMK: NCPI)	↓	3.30	-0.00078	3.30	3.29
GI27 (Coupon 4.00%, BMK: NCPI)	↑	4.02	0.002	4.02	4.02
GI29 (Coupon 4.50%, BMK: NCPI)	↓	4.86	-0.003	4.86	4.86
GI33 (Coupon 4.50%, BMK: NCPI)	↑	5.49	0.004	5.49	5.49
GI36 (Coupon 4.80%, BMK: NCPI)	↑	5.85	0.004	5.85	5.85
<b>Commodities</b>		<b>Last Close</b>	<b>Change</b>	<b>Prev Close</b>	<b>Current Spot</b>
Gold	↓	2,162	-0.56%	2,174	2,169
Platinum	↓	927	-1.53%	942	933
Brent Crude	↑	85.4	1.65%	84.03	85.26
<b>Main Indices</b>		<b>Last Close</b>	<b>Change</b>	<b>Prev Close</b>	<b>Current Spot</b>
NSX Local Index	↓	844	-2.31%	864	844
JSE All Share	↓	73,341	-1.24%	74,259	73,341
S&P 500	↓	5,150	-0.29%	5,165	5,150
FTSE 100	↓	7,743	-0.37%	7,772	7,743
Hangseng	↓	16,583	-2.23%	16,962	16,583
DAX	↓	17,942	-0.11%	17,961	17,942
<b>JSE Sectors</b>		<b>Last Close</b>	<b>Change</b>	<b>Prev Close</b>	<b>Current Spot</b>
Financials	⇒	17,209	0.00%	17,209	17,012
Resources	⇒	54,819	0.00%	54,819	53,409
Industrials	⇒	101,943	0.00%	101,943	101,356
<b>Forex</b>		<b>Last Close</b>	<b>Change</b>	<b>Prev Close</b>	<b>Current Spot</b>
N\$/US Dollar	↑	18.73	0.81%	18.58	18.76
N\$/Pound	↑	23.89	0.46%	23.78	23.90
N\$/Euro	↑	20.39	0.25%	20.34	20.40
US Dollar/ Euro	↓	1.088	-0.18%	1.09	1.09
<b>Interest Rates &amp; Inflation</b>		<b>Namibia</b>		<b>RSA</b>	
Central Bank Rate	⇒	Feb-24	Jan-24	Feb-24	Jan-24
Prime Rate	⇒	7.75	7.75	8.25	8.25
		11.50	11.50	11.75	11.75
Inflation	↓	Feb-24	Jan-24	Jan-24	Dec-23
		5.1	5.5	5.3	5.1

#### 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.*



**Capricorn Asset Management**



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