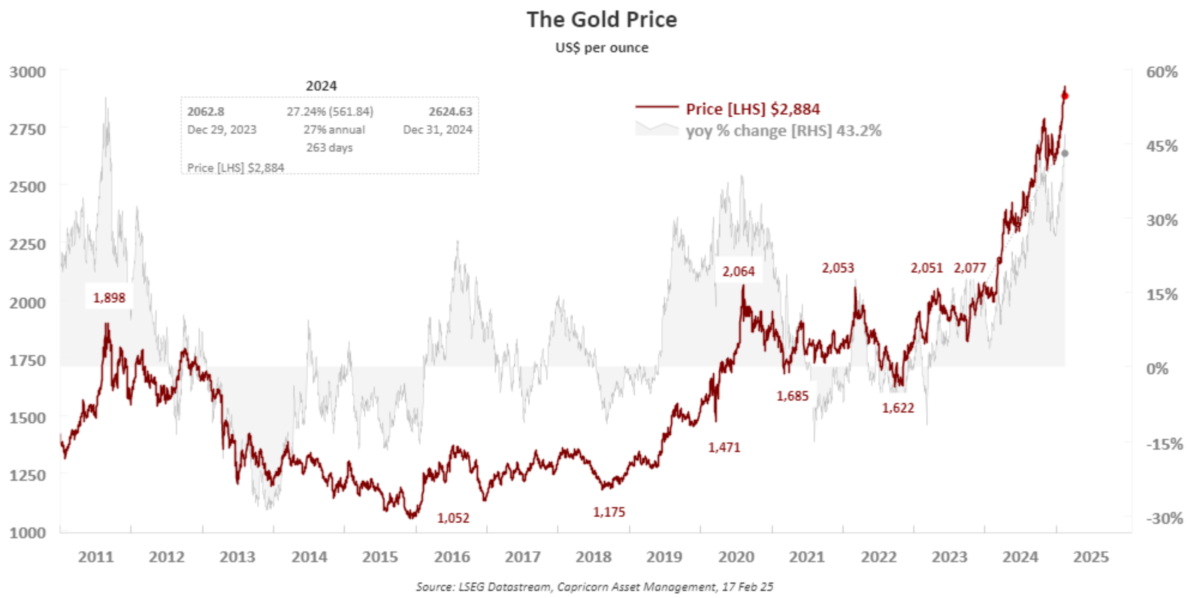
Market Update

Monday, 17 February 2025

Global Markets



Asia share markets crept higher on Monday as Hong Kong's tech sector stole the limelight, while upbeat Japanese economic growth contrasted with a weak U.S. retail sales report to lift the yen on the dollar. Geopolitics remained in focus with reports that talks on the Russian-Ukraine conflict will begin in Saudi Arabia this week, though the participants are not entirely clear. The imminent threat of reciprocal U.S. tariffs has receded until April, but the risk that they might include levies based on value added taxes in other countries was a major worry. "The prospect, however misguided, of the U.S. levying an additional 20% tariff on all EU imports, on top of whatever else it deems appropriate, and to varying degrees on all other countries who have VAT regimes is a truly terrifying prospect in terms of the implications for global growth," said Ray Attrill, head of FX research at National Australia Bank.

The Financial Times reported on Sunday that the European Commission would explore tough import limits on certain foods made to different standards in an effort to protect its farmers, echoing President Donald Trump's reciprocal trade policy. For now, investors were just relieved that major tariffs had not already been introduced and MSCI's broadest index of Asia-Pacific shares outside Japan firmed 0.3%. Tokyo's Nikkei edged up 0.2% after Japan reported surprisingly strong economic growth of an annualized 2.8% for the fourth quarter. The gains were limited by a further rise in the yen to 151.65 per dollar. South Korean shares added 0.6% and Taiwan's rallied 1.3%. Chinese blue chips were flat, with recent moves led by the Hong Kong market which jumped 7% last week on optimism the Chinese firms could deliver low-cost versions of AI to compete with the West.

The rush was underpinned by a 24% surge in Alibaba on news it would partner with Apple to support iPhones' artificial intelligence services offering in China. Alibaba reports earnings on Thursday and options imply the share could move 7.5% in either direction on the results. Goldman Sachs has raised its outlook for Chinese growth and stocks, arguing that widespread adoption of AI could raise earnings per share by 2.5% a year over the next decade. It would also lift the fair value of Chinese equity by 15% to 20% and attract $200 billion of fund inflows. The pan-European STOXX 600 index has also been attracting global funds having climbed for eight straight weeks to be up 8% since the turn of the year. EUROSTOXX 50 futures held steady on Monday, while DAX futures rose 0.2% and FTSE futures eased 0.1%.

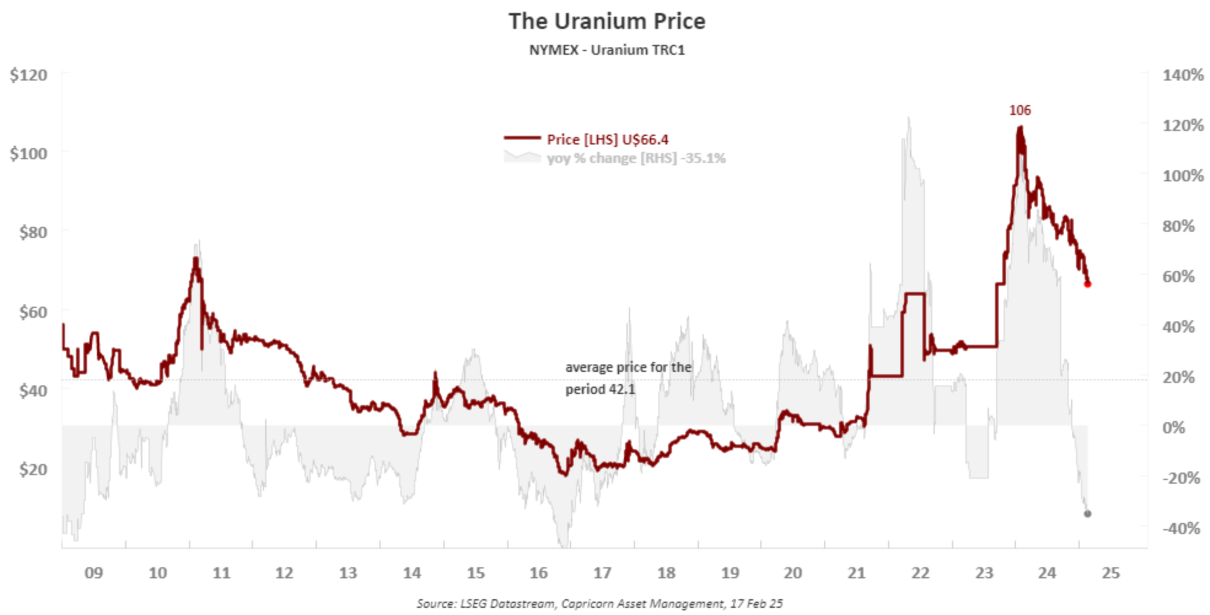
A holiday in U.S. markets made for thin trading, though the S&P 500 futures still rose 0.2% and Nasdaq futures 0.3%. Wall Street was briefly fazed by the retail sales report on Friday but the S&P 500 ended the week up 1.5%, while the Nasdaq gained 2.6%. Treasuries rallied on the soft sales numbers as markets swung back toward pricing in two Federal Reserve rate cuts this year rather than just one. Minutes of the Fed's last meeting are due on Wednesday and should offer some detail about the outlook for further easing, while there are at least six Fed officials due to speak. Yields on 10-year Treasuries were holding at 4.478%, well off a top of 4.660% hit in the middle of last week.

The drop in yields undermined the dollar and left the index at 106.84 after a loss of 1.2% last week. The euro was firm at $1.0498, having rallied 1.6% last week, and aiming to test resistance at $1.0533. The pound held at $1.2592 ahead of a raft of UK data including employment, wages and consumer prices, which will impact market wagers on the timing of the next rate cut. Bank of England Governor Andrew Bailey is due to speak this week and will no doubt be questioned on the outlook. Central banks in Australia and New Zealand hold policy meetings this week and are both expected to cut interest rates, the former by 25 basis points and the latter by twice that.

In commodity markets, gold was not far from record highs at $2,899 an ounce having rallied for seven weeks straight.

Oil has had a tougher time as the prospect of peace talks on Ukraine could lead to greater supply should sanctions on Russian output be relaxed. Brent slipped another 12 cents to $74.62 a barrel, while U.S. crude fell 19 cents to $70.55 per barrel.

Source: LSEG Thomson Reuters Refinitiv.



Domestic Markets

South Africa's National Treasury budget deficit forecasts will be wider than in its October estimates for the next three years, a Reuters poll found. The consolidated budget forecast medians of 12 economists polled February 6-13 suggested the National Treasury would announce its deficit forecast at 4.55% of gross domestic product (GDP) in the fiscal year beginning in April, compared with the 4.30% it anticipated in October.

"Spending pressures are increasing due largely to rising debt-service payments given elevated global borrowing rates, social-spending programmes and ongoing support for state-owned enterprises such as debt relief for Eskom," said Dennis Shen, senior director at Scope Ratings. "These factors are likely to hinder budgetary consolidation efforts and hold the government deficit at elevated levels and maintain public debt on a structurally increasing path to 80% of GDP before the end of this decade," Shen added.

Economists expect a deficit of 4.00% of GDP in the following year, 0.40 percentage points wider than the previous Treasury estimate in October. The deficit is seen shrinking to 3.60% of GDP in the financial year 2027/28. "We still see debt stabilization as a credible forecast," said Elna Moolman, head of macroeconomic, fixed income and currency research at Standard Bank.

"Though the risks have increased and it will be challenging for the government to absorb some of the increased spending pressures via reallocations, we believe, however, that the government is committed to fiscal consolidation." State-owned Eskom has been in financial crisis for years and has over 400 billion rand ($21.81 billion) in debt it cannot afford to service.

Source: LSEG Thomson Reuters Refinitiv.

Solitary trees, if they grow at all, grow strong.

Winston Churchill

Market Overview

MARKET INDICATORS (Bloomberg)					17 February 2025
Money Market TB's		**Last Close**	**Change**	**Prev Close**	**Current Spot**
3 months	↓	7.65	-0.106	7.76	7.65
6 months	↓	7.77	-0.063	7.83	7.77
9 months	↓	7.80	-0.041	7.84	7.80
12 months	↓	7.80	-0.080	7.88	7.80
Nominal Bonds		**Last Close**	**Change**	**Prev Close**	**Current Spot**
GC25 (Coupon 8.50%, BMK: R186)	↓	7.60	-0.029	7.63	7.59
GC26 (Coupon 8.50%, BMK: R186)	↓	8.46	-0.008	8.47	8.46
GC27 (Coupon 8.00%, BMK: R186)	↓	8.77	-0.011	8.79	8.78
GC30 (Coupon 8.00%, BMK: R2030)	↓	9.09	-0.022	9.11	9.09
GC32 (Coupon 9.00%, BMK: R213)	↓	10.02	-0.013	10.04	10.03
GC35 (Coupon 9.50%, BMK: R209)	↓	10.95	-0.017	10.97	10.95
GC37 (Coupon 9.50%, BMK: R2037)	↑	11.25	0.004	11.25	11.25
GC40 (Coupon 9.80%, BMK: R214)	↓	11.49	-0.076	11.57	11.49
GC43 (Coupon 10.00%, BMK: R2044)	↓	11.50	-0.019	11.52	11.50
GC45 (Coupon 9.85%, BMK: R2044)	↓	11.85	-0.012	11.86	11.85
GC50 (Coupon 10.25%, BMK: R2048)	↓	11.67	-0.013	11.68	11.67
Inflation-Linked Bonds		**Last Close**	**Change**	**Prev Close**	**Current Spot**
GI25 (Coupon 3.80%, BMK: NCPI)	↓	3.35	-0.007	3.35	3.34
GI27 (Coupon 4.00%, BMK: NCPI)	↓	4.38	0.000	4.38	4.38
GI29 (Coupon 4.50%, BMK: NCPI)	↓	4.80	-0.004	4.81	4.80
GI33 (Coupon 4.50%, BMK: NCPI)	↓	5.28	-0.002	5.28	5.28
GI36 (Coupon 4.80%, BMK: NCPI)	↑	5.68	0.001	5.67	5.68
Commodities		**Last Close**	**Change**	**Prev Close**	**Current Spot**
Gold	↓	2,883	-1.56%	2,928	2,894
Platinum	↓	984	-1.64%	1000	988
Brent Crude	↓	74.7	-0.37%	75.02	74.93
Main Indices		**Last Close**	**Change**	**Prev Close**	**Current Spot**
NSX Local Index	↑	1044	0.38%	1040	1044
JSE All Share	↑	88,717	1.00%	87,841	88,717
S&P 500	→	6,115	0.00%	6,115	6,115
FTSE 100	↓	8,732	-0.38%	8,765	8,732
Hangseng	↓	22,462	-0.70%	22,620	22,462
DAX	↓	22,513	-0.44%	22,612	22,513
JSE Sectors		**Last Close**	**Change**	**Prev Close**	**Current Spot**
Financials	→	20,349	0.00%	20,349	20,326
Resources	→	63,710	0.00%	63,710	64,110
Industrials	→	123,309	0.00%	123,309	125,935
Forex		**Last Close**	**Change**	**Prev Close**	**Current Spot**
N$/US Dollar	↓	18.39	-0.54%	18.49	18.35
N$/Pound	↓	23.12	-0.52%	23.24	23.10
N$/Euro	↓	19.27	-0.41%	19.35	19.24
US Dollar/ Euro	↓	1.049	-0.10%	1.05	1.05
		Namibia		**RSA**	
Interest Rates & Inflation		**Jan-25**	**Dec-24**	**Jan-25**	**Dec-24**
Central Bank Rate	↓	6.75	7	7.50	7.75
Prime Rate	↓	10.50	10.75	11.00	11.25
		Jan-25	**Dec-24**	**Dec-24**	**Nov-24**
Inflation	↓	3.2	3.4	3.0	2.9

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 listeds

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