

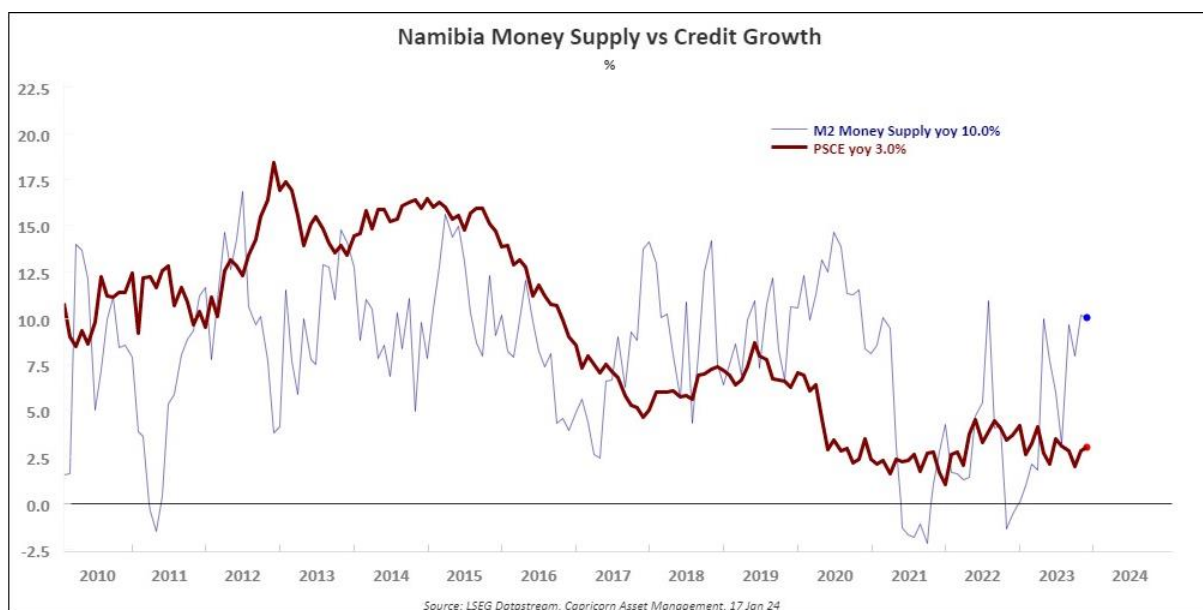
The Daily Brief



Capricorn Asset Management

Market Update

Wednesday, 17 January 2024



Global Markets

Asian equities slumped on Wednesday, led by Chinese stocks after a slew of data pointed to a patchy recovery in the world's second-biggest economy, while the dollar was near a one-month high as traders dialled back bets of early interest rate cuts. MSCI's broadest index of Asia-Pacific shares outside Japan slid 1.34%, touching a fresh one-month low and on course for its weakest weekly performance since August. The index is down 3% for the week. China stocks fell sharply after data showed China's economy grew 5.2% in the fourth quarter from a year earlier, missing analysts' expectations slightly but still ensuring Beijing met its annual growth target of around 5%. December activity indicators released along with the GDP data showed retail sales grew at the slowest pace since September, while investment growth remained tepid, though industrial output showed signs of improvement.

China's blue-chip stock index was down more than 1% in early morning trade, hovering near the lowest level since early 2019. Hong Kong's Hang Seng index slumped 2.5%. "The series of China's economic data releases today seem to reflect more of the same – an uneven growth environment, which does not offer much conviction of a sustained turnaround just yet," said Jun Rong Yeap, a market strategist at IG in Singapore. "The trend of weak economic data suggests that the accommodative policy environment has yet to translate to a sustained turnaround in economic

conditions, which may amplify call for more supportive intervention by authorities in first half of 2024." Meanwhile, Japan's Nikkei shrugged off the broader malaise and rose to a new 34-year peak. It was last up 0.5% having surged over 1% in early trading.

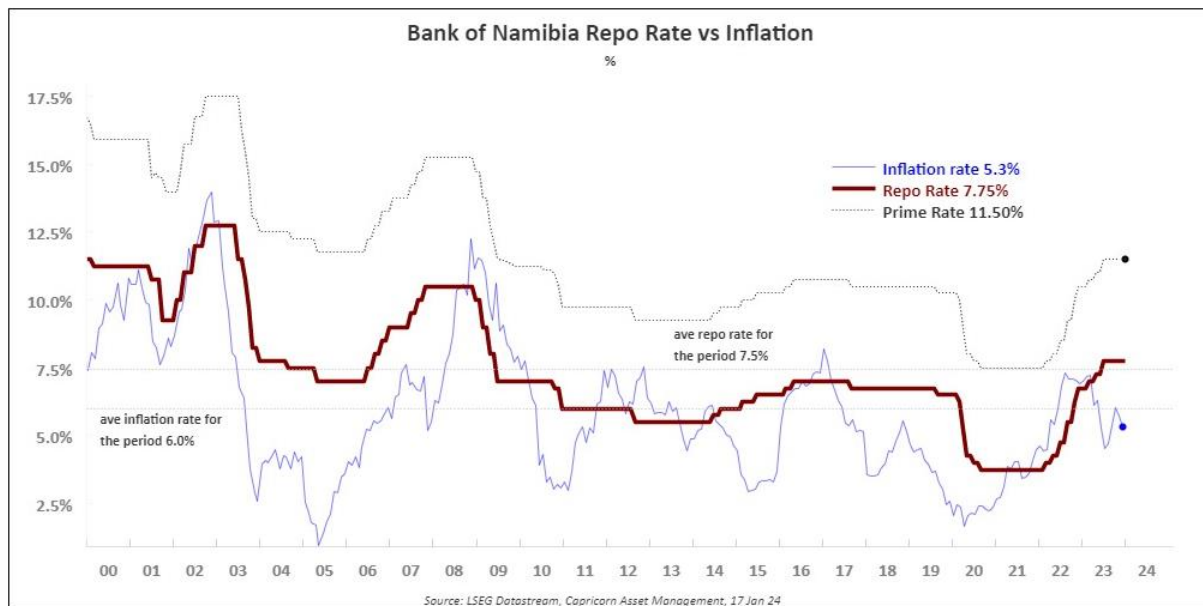
Investor enthusiasm was also dampened by the hawkish rhetoric from central bank officials, pushing back against expectations of early rate cuts. U.S. Federal Reserve Governor Christopher Waller said on Tuesday that while inflation was approaching the central bank's 2% goal, the Fed should not rush to lower interest rates until lower inflation can clearly be sustained. Waller's comments echoed the sentiments of European central bankers. "Waller's comments were reflected in rate markets, with markets seemingly becoming a bit more sceptical that the Fed can deliver the aggressive cuts of over 160 basis points," said Kieran Williams, head of Asia FX at InTouch Capital Markets.

Markets are pricing in a 65% chance of a rate cut by the Fed in March, according to the CME FedWatch tool, compared with the 81% likelihood at the start of the week. They are also pricing in 158 bps of cuts this year. Geopolitical worries have also sapped sentiment as investors keep an eye on developments in the Red Sea, Gaza and Ukraine. Overnight, U.S. stocks ended lower after mixed earnings from Morgan Stanley MS.N and Goldman Sachs pressured banks, and as sell-offs in Boeing and Apple weighed on the S&P 500.

In currency markets, the dollar index, which measures the U.S. currency against six rivals, rose 0.029% and was hovering near the one-month high of 103.42 it touched on Tuesday. The Japanese yen weakened 0.09% to 147.34 per dollar, while Sterling was last at \$1.2634.

U.S. crude fell 0.68% to \$71.91 per barrel and Brent was at \$77.84, down 0.57% on the day. Gold prices were little changed at \$2,028 in Asian hours after dropping 1% in the previous session on the stronger dollar.

Source: Thomson Reuters Refinitiv



Domestic Markets

South Africa's rand lost more than 1% against the dollar on Tuesday as investors tempered expectations for a March interest rate cut from the U.S. Federal Reserve and Red Sea attacks weighed on risk sentiment. At 1605 GMT the rand traded at 18.9625 against the U.S. dollar, about 1.5% weaker than its previous close. The dollar was last up 0.6%, around a one-month high against a basket of global currencies. Hawkish comments from European Central Bank officials at the World Economic Forum on Monday raised doubts that the Fed would cut rates as soon as previously expected, sending the dollar higher.

More attacks on ships in the Red Sea also contributed to a slide in emerging market currencies, analysts said. "News of a missile strike on a U.S.-owned ship in the Gulf and Donald Trump's overwhelming win in the Iowa caucus has seen risk-off in markets and a stronger dollar," said Andre Cilliers, currency strategist at TreasuryONE.

There were no economic data releases in South Africa on Tuesday.

On the Johannesburg Stock Exchange, the Top-40 index closed with a decline of about 1%.

Source: Thomson Reuters Refinitiv

Living well is the best revenge.

George Herbert

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				17 January 2024	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	⇒	8.83	0.000	8.83	8.83
6 months	⇒	8.90	0.000	8.90	8.90
9 months	⇒	8.95	0.000	8.95	8.95
12 months	⇒	8.98	0.000	8.98	8.98
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	↑	8.99	0.065	8.92	8.98
GC25 (Coupon 8.50%, BMK R186)	↑	9.08	0.065	9.01	9.07
GC26 (Coupon 8.50%, BMK R186)	↑	9.08	0.065	9.01	9.07
GC27 (Coupon 8.00%, BMK R186)	↑	9.20	0.065	9.13	9.19
GC28 (Coupon 8.50%, BMK R2030)	↑	9.34	0.080	9.26	9.34
GC30 (Coupon 8.00%, BMK R2030)	↑	9.38	0.080	9.30	9.38
GC32 (Coupon 9.00%, BMK R213)	↑	9.87	0.090	9.78	9.88
GC35 (Coupon 9.50%, BMK R209)	↑	10.93	0.095	10.84	10.93
GC37 (Coupon 9.50%, BMK R2037)	↑	12.11	0.105	12.00	12.11
GC40 (Coupon 9.80%, BMK R214)	↑	12.30	0.140	12.16	12.30
GC43 (Coupon 10.00%, BMK R2044)	↑	12.52	0.125	12.39	12.52
GC45 (Coupon 9.85%, BMK R2044)	↑	12.35	0.125	12.22	12.35
GC48 (Coupon 10.00%, BMK R2048)	↑	12.47	0.130	12.34	12.48
GC50 (Coupon 10.25%, BMK: R2048)	↑	12.20	0.130	12.07	12.21
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	⇒	3.30	0.000	3.30	3.30
GI27 (Coupon 4.00%, BMK NCPI)	↑	4.70	0.020	4.68	4.69
GI29 (Coupon 4.50%, BMK NCPI)	↑	5.13	0.041	5.09	5.13
GI33 (Coupon 4.50%, BMK NCPI)	↑	5.79	0.034	5.76	5.79
GI36 (Coupon 4.80%, BMK NCPI)	↑	6.13	0.037	6.10	6.13
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	2,028	-1.31%	2,054	2,024
Platinum	↓	895	-2.21%	915	891
Brent Crude	↑	78.3	0.18%	78.2	77.7
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,547	-0.77%	1,560	1,547
JSE All Share	↓	73,008	-0.91%	73,676	73,008
SP500	↓	4,766	-0.37%	4,784	4,766
FTSE 100	↓	7,558	-0.48%	7,595	7,558
Hangseng	↓	15,866	-2.16%	16,216	15,420
DAX	↓	16,572	-0.30%	16,622	16,572
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	17,216	-0.09%	17,232	17,216
Resources	↓	51,905	-1.55%	52,723	51,905
Industrials	↓	100,073	-1.14%	101,224	100,073
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	18.97	1.48%	18.69	19.00
N\$/Pound	↑	23.97	0.77%	23.79	23.97
N\$/Euro	↑	20.63	0.79%	20.47	20.65
US dollar/ Euro	↓	1.087	-0.68%	1.095	1.087
		Namibia		RSA	
Interest Rates & Inflation		Dec 23	Nov 23	Dec 23	Nov 23
Central Bank Rate	⇒	7.75	7.75	8.25	8.25
Prime Rate	⇒	11.50	11.50	11.75	11.75
		Dec 23	Nov 23	Nov 23	Oct 23
Inflation	↓	5.3	5.7	5.5	5.9

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.



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