

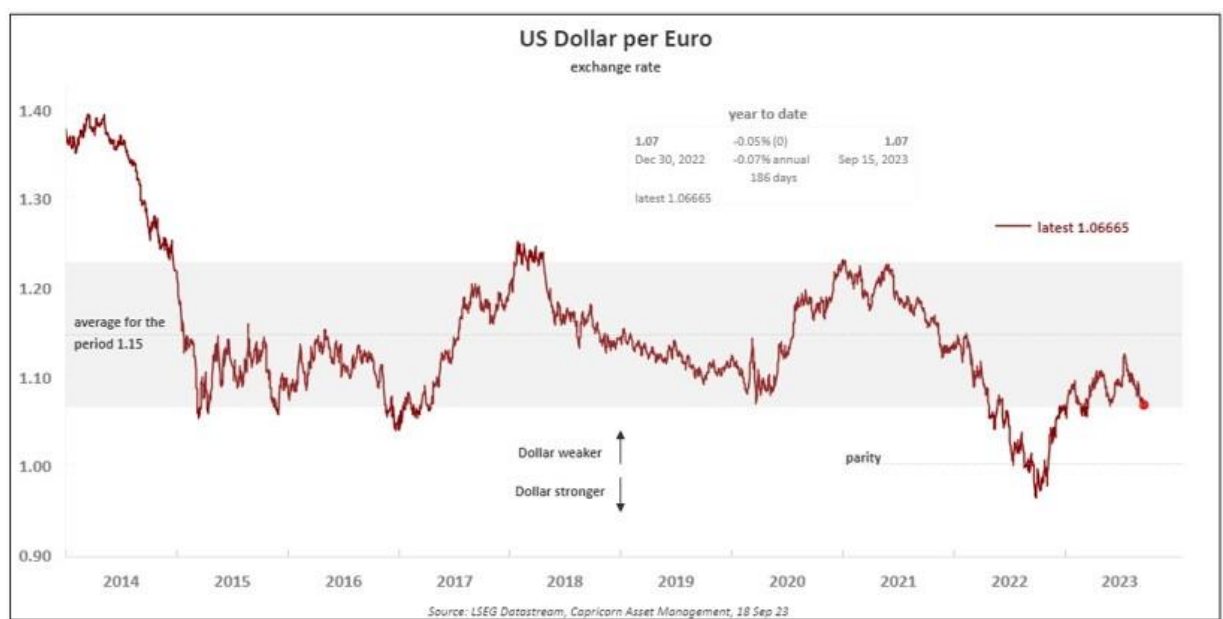
The Daily Brief



Capricorn Asset Management

Market Update

Monday, 18 September 2023



Global Markets

Asian shares fell and the dollar was firm on Monday as investors looked ahead to a week packed with central bank meetings including the Federal Reserve and the Bank of Japan, which will be closely scrutinised for the global monetary policy outlook. S&P 500 futures advanced 0.2% while Nasdaq futures edged 0.1% higher. MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.5%, with Australia's resources-heavy share market dropping 0.7% and Hong Kong's Hang Seng index off 0.7%. Japan's Nikkei is closed for a holiday.

The spotlight in the Asian morning fell on Chinese property developers listed in Hong Kong, which tumbled 2% in part due to a 20% plunge in China Evergrande Group after police in southern China detained some staff at its wealth management unit, the latest trouble to hit the embattled property firm. Also, Chinese trust firm Zhongrong International Trust Co, with exposure to Chinese property developers, said over the weekend it was unable to make payments on some trust products on time.

Sentiment in Asia had improved last week after news of more policy support from Beijing and better-than-expected Chinese data added to signs the world's second-largest economy could be starting to stabilise from a months-long slowdown. "Despite the encouraging sign of stabilization, the property market continues to be the missing puzzle piece in the economic picture," said Tommy

Xie, head of Greater China Research at OCBC Bank. "The on-the-ground feedback indicates a rise in property viewing activities; however, most prospective buyers are not in a hurry to finalize deals due to the increasing supply of apartments post relaxation."

This week, global central banks will take centre stage, with five of those overseeing the 10 most heavily traded currencies - including the U.S. Federal Reserve - holding rate-setting meetings, plus a swathe of emerging market ones as well. Markets are fully priced for a pause from the Fed on Wednesday, so the focus will be on the updated economic and rates projections, as well as what Chair Jerome Powell says about the future. They see about 80 basis points of cuts next year.

"In theory, the FOMC meeting should be a low-volatility affair, but it is a risk that needs to be managed," said Chris Weston, head of research at Pepperstone. "We should see the median projection for the 2023 fed funds rate remaining at 5.6%, offering the bank the flexibility to hike again in November, should the data warrant it." Weston added that if the Fed revises up the rate projections for 2024, that would see rate cuts being priced out, resulting in renewed interest in the U.S. dollar and downward pressure on global shares.

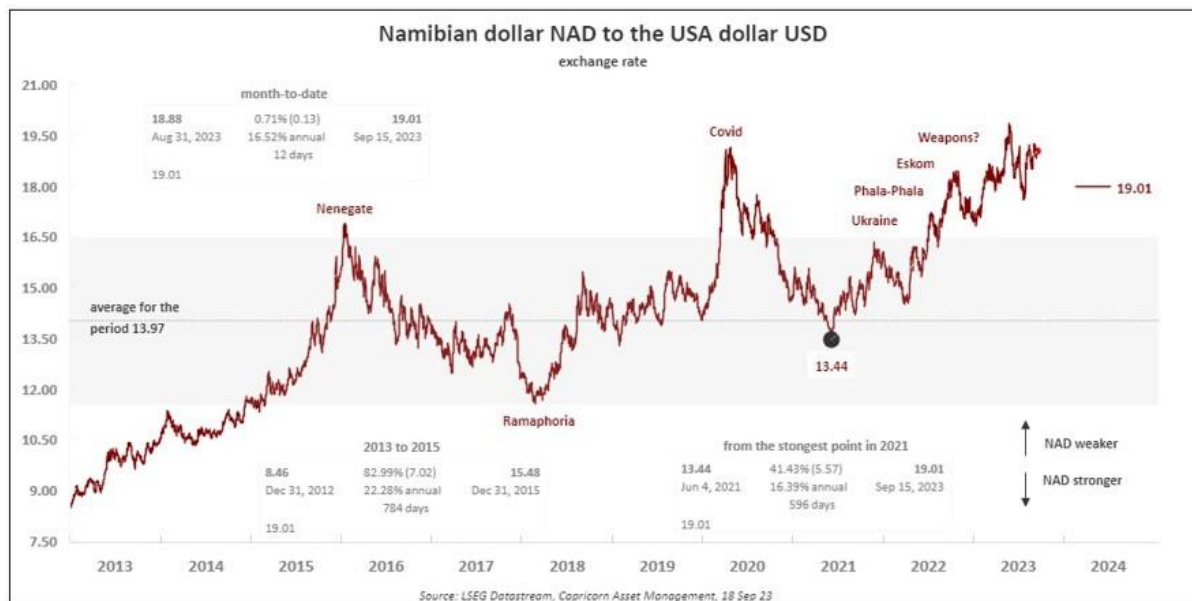
On Thursday, Bank of England is tipped to hike for the 15th time and take benchmark borrowing costs to 5.5%, while Sweden's Riksbank is seen hiking by 25 basis points to 4%. Bank of Japan is the key risk event on Friday. Markets are looking for any signs that the BOJ could be moving away from its ultra-loose policy faster than previously thought, after recent comments by Governor Kazuo Ueda sent yields much higher.

Last Friday, Wall Street ended sharply lower as U.S. industrial labour action weighed on auto shares. Rising Treasury yields also pressured Amazon AMZN.O and other megacap growth companies. Cash Treasuries were not traded in Asia with Tokyo shut. Treasury yields edged higher on Friday, with the two-year US2YT=RR above the 5% threshold, as futures price in higher rates for longer ahead of a the Fed's policy meeting this week.

In the currency markets, the U.S. was still standing strong near its six-month top at 105.29 against a basket of major currencies. The euro recovered 0.1% to \$1.0673 in early Asia trade, after slumping to a 3-1/2 month low of \$1.0629 last week as the European Central Bank signalled its rate hikes could be over.

Oil prices were higher, after hitting 10-month tops last Friday, stoking inflationary pressures. Brent crude futures rose 0.3% at \$94.20 per barrel and U.S. West Texas Intermediate crude futures were up 0.4% at \$91.14. The gold price was 0.2% higher at \$1,925.62 per ounce.

Source: Thomson Reuters Refinitiv



Domestic Markets

South Africa's rand edged lower against the dollar on Friday, weighed down by a worsening power crisis, ahead of local inflation figures and an interest rate decision next week. At 1538 GMT, the rand traded at 19.0550 against the dollar, over 0.1% weaker than its previous close.

While state power utility Eskom reduced the intensity of power cuts for the weekend, the possibility of higher levels of power cuts than the "Stage 6" experienced by South Africans for the better part of the week has fuelled investor concerns. The rand had also lost ground on Thursday after mining figures showed an unexpected drop in production in July.

South African investors will be looking towards August inflation figures on Wednesday and an interest rate decision by the central bank on Thursday. Analysts polled by Reuters expect the South African Reserve Bank to keep interest rates on hold at its Sept. 21 meeting.

Shares on the Johannesburg Stock Exchange rose, with both the broader all-share index and the blue-chip Top-40 index closing more than 0.3% higher. South Africa's benchmark 2030 government bond was weaker, with the yield up 3.5 basis points at 10.475%.

Source: Thomson Reuters Refinitiv

Everything that is made beautiful and fair and lovely is made for the eye of one who sees.

Rumi

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				18 September 2023	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	➡	8.23	0.000	8.23	8.23
6 months	➡	8.70	0.000	8.70	8.70
9 months	➡	8.78	0.000	8.78	8.78
12 months	⬆	8.85	0.017	8.83	8.85
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	⬆	9.29	0.035	9.25	9.29
GC25 (Coupon 8.50%, BMK R186)	⬆	9.11	0.035	9.07	9.11
GC26 (Coupon 8.50%, BMK R186)	⬆	9.02	0.035	8.98	9.02
GC27 (Coupon 8.00%, BMK R186)	⬆	9.49	0.035	9.45	9.49
GC28 (Coupon 8.50%, BMK R2030)	⬆	10.08	0.035	10.04	10.08
GC30 (Coupon 8.00%, BMK R2030)	⬆	10.40	0.035	10.36	10.40
GC32 (Coupon 9.00%, BMK R213)	⬆	10.57	0.025	10.55	10.57
GC35 (Coupon 9.50%, BMK R209)	⬆	11.56	0.020	11.54	11.56
GC37 (Coupon 9.50%, BMK R2037)	⬆	12.13	0.015	12.12	12.13
GC40 (Coupon 9.80%, BMK R214)	⬇	12.58	-0.015	12.60	12.58
GC43 (Coupon 10.00%, BMK R2044)	⬇	12.58	-0.010	12.59	12.58
GC45 (Coupon 9.85%, BMK R2044)	⬇	12.98	-0.010	12.99	12.98
GC48 (Coupon 10.00%, BMK R2048)	⬇	13.09	-0.010	13.10	13.09
GC50 (Coupon 10.25%, BMK: R2048)	⬇	13.18	-0.010	13.19	13.18
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)	➡	4.44	0.000	4.44	4.44
GI29 (Coupon 4.50%, BMK NCPI)	➡	5.03	0.000	5.03	5.03
GI33 (Coupon 4.50%, BMK NCPI)	➡	5.50	0.000	5.50	5.50
GI36 (Coupon 4.80%, BMK NCPI)	➡	5.90	0.000	5.90	5.90
Commodities		Last close	Change	Prev close	Current Spot
Gold	⬆	1,924	0.69%	1,910	1,928
Platinum	⬆	925	2.07%	906	929
Brent Crude	⬆	93.9	0.25%	93.7	94.5
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬇	1,606	-0.22%	1,610	1,606
JSE All Share	⬆	74,590	0.32%	74,354	74,590
SP500	⬇	4,450	-1.22%	4,505	4,450
FTSE 100	⬆	7,711	0.50%	7,673	7,711
Hangseng	⬆	18,183	0.75%	18,048	18,002
DAX	⬆	15,894	0.56%	15,805	15,894
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬇	16,238	-1.41%	16,471	16,238
Resources	⬆	60,068	2.29%	58,724	60,068
Industrials	⬆	102,475	0.09%	102,387	102,475
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬆	19.05	0.77%	18.90	18.95
N\$/Pound	⬆	23.58	0.55%	23.45	23.49
N\$/Euro	⬆	20.29	0.90%	20.11	20.22
US dollar/ Euro	⬆	1.066	0.13%	1.064	1.067
		Namibia		RSA	
Interest Rates & Inflation		Aug 23	Jul 23	Aug 23	Jul 23
Central Bank Rate	➡	7.75	7.75	8.25	8.25
Prime Rate	➡	11.50	11.50	11.75	11.75
		Aug 23	Jul 23	Jul 23	Jun 23
Inflation	⬆	4.7	4.5	4.7	5.4

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**
