

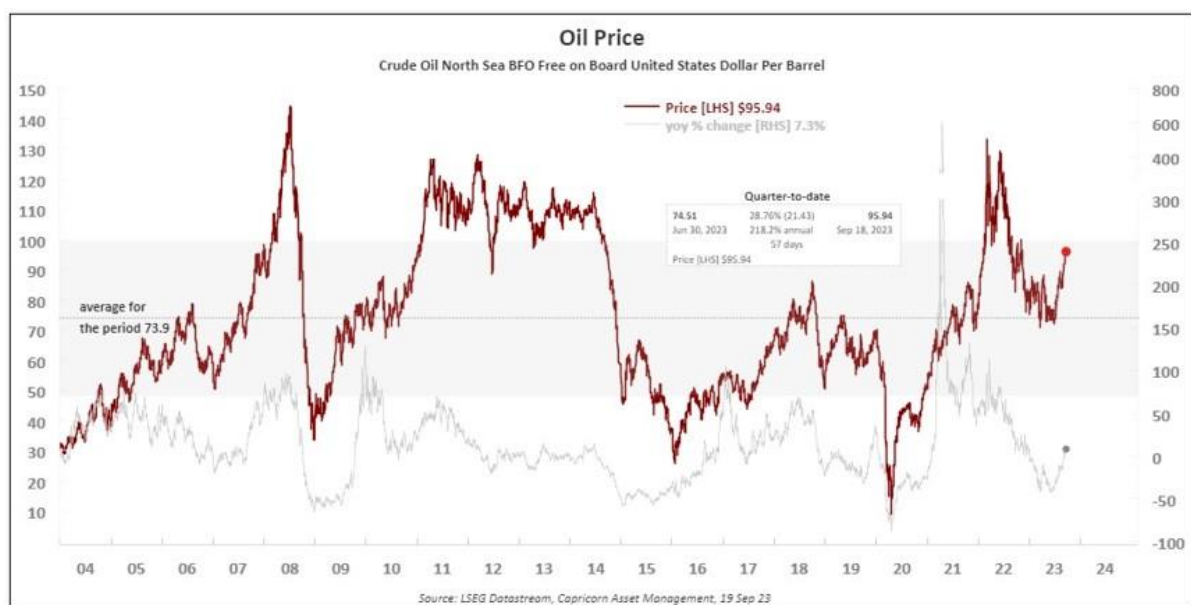
The Daily Brief



Capricorn Asset Management

Market Update

Tuesday, 19 September 2023



Global Markets

Asian shares sank on Tuesday as worries about the Chinese property sector weighed on markets from Hong Kong to Australia, while Japanese investors sold chip stocks on their return from a holiday-extended weekend. Benchmark U.S. Treasury yields hovered near 16-year peaks and the dollar held close to six-month highs as traders braced for a Federal Reserve rate decision on Wednesday, in a week that also sees policy decisions from the Bank of Japan and Bank of England, among others.

MSCI's broadest index of Asia-Pacific shares slipped 0.3%. Japan's Nikkei .N225 tumbled 1.1% under the weight of big losses for chip-related stocks including Tokyo Electron 8035.T and Advantest. Japanese markets were closed Monday, when Asian tech stocks sold off following a Reuters report that TSMC had asked its major vendors to delay deliveries. That stock sank 0.4% on Tuesday, flipping from an earlier gain of as much as 0.6%. It tumbled 3.2% on Monday. John Pearce, CIO at Unisuper, called the TSMC news "surprising." "The one thing you were almost certain of was that demand for semiconductors was only one way," he said.

Hong Kong's Hang Seng declined 0.1%, with a subindex of tech stocks sliding 0.6%. An index of mainland blue chips fell 0.3%. Chinese property stocks were volatile, with a subindex of Hang Seng

developers dropping as much as 1.2% at one point, before flipping to positive territory around lunchtime, although it was last off 0.4%. Australia's stock benchmark dropped 0.4%, sagging under the weight of mining stocks amid pessimism over Chinese demand.

Providing some rays of hope, though, Country Garden won approval from creditors to extend repayment on another onshore bond, the last in the batch of eight bonds it has been seeking extensions for, sources said. Peer Sunac China Holdings got creditor approval for its \$9 billion offshore debt restructuring plan, the first green light of a debt overhaul by a major Chinese developer. Weakness in Asian equities weighed on U.S. stock futures EScv1, which pointed 0.1% lower. Pan-European Stoxx 50 futures STXEc1 were flat.

Currency markets were subdued, with the U.S. dollar index - which measures the currency against six major peers - rising 0.09% to 105.17, edging back toward last week's six-month peak of 105.43. The dollar added 0.1% to 147.75 yen, bringing it closer to last week's 10-month top of 147.95. The euro eased 0.1% to \$1.0679. Ten-year yields were little changed at just above 4.31%, holding close to the 4.366% level reached on Aug. 22, which was the highest since 2007.

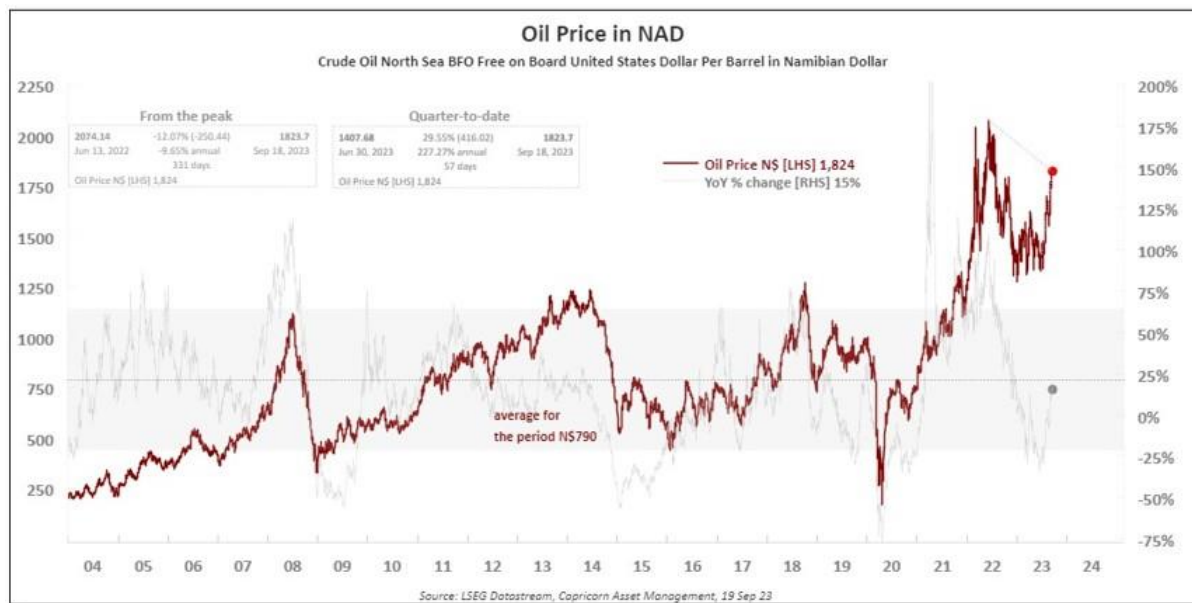
"You can't blame people for keeping to the sidelines for now," with the Fed headlining a parade of central bank meetings this week, Kyle Rodda, senior financial market analyst at Capital.com, wrote in a note. "Given the variability in outcomes, there will inevitably be crosscurrents in the markets," Rodda said. "Price action could be choppy, with risk needing to be managed more carefully."

Traders are all but certain the Fed will leave rates steady again at the conclusion of a two-day meeting that begins later Tuesday, but are split on the chances of another quarter-point increase by year-end. Fed officials will also release their latest predictions on the economy and where rates are likely to be over the coming quarters. Meanwhile, oil prices rose in early trade on Tuesday for the fourth consecutive session, as weak shale output in the U.S. spurred further concerns about a supply deficit stemming from extended production cuts by Saudi Arabia and Russia.

Crude oil continued its rally amid tightening supply, stoking worries about stagflation.

U.S. West Texas Intermediate crude futures rose 99 cents, or 1.1%, to \$92.47, while global oil benchmark Brent crude futures rose 58 cents, or 0.61%, to \$95.01 a barrel. "Given how supply-constrained energy markets are likely to become, especially amidst harsher weather approaching the end of the year, higher oil prices are both an upside risk to inflation and a downside risk to growth," Capital.com's Rodda said. "Markets that don't export energy and suffer from energy insecurity could underperform."

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand was steady against a weaker dollar on Monday, ahead of local and international interest rate announcements this week. At 1547 GMT, the rand traded at 19.0000 against the dollar, not far from its previous close of 18.9850. The dollar last traded down about 0.2% against a basket of global currencies.

The South African Reserve Bank (SARB) will announce its interest rate decision on Thursday and provide clues on the country's future rate path. "The SARB is expected to keep rates unchanged but remain hawkish on the back of concerns of an uptick in inflation on the back of the higher fuel price," said Andre Cilliers, currency strategist at TreasuryONE.

The U.S. Federal Reserve is also expected to keep rates unchanged when it meets on Wednesday, he added, "but with a hawkish outlook given the higher oil price and higher inflation numbers". Shares on the Johannesburg Stock Exchange fell, with both the broader all-share index and the blue-chip Top-40 index closing around 1% lower.

South Africa's benchmark 2030 government bond ZAR2030= was weaker in afternoon deals, with the yield up 3.5 basis points to 10.510%.

Source: Thomson Reuters Refinitiv

You can find peace amidst the storms that threaten you.

Joseph B. Wirthlin

Market Overview

| MARKET INDICATORS (Thomson Reuters Refinitiv) | | | | 19 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 | ↑ | 8.80 | 0.025 | 8.78 | 8.80 |
| 12 months | ↑ | 8.90 | 0.050 | 8.85 | 8.90 |
| Nominal Bond Yields % | | Last close | Difference | Prev close | Current Spot |
| GC24 (Coupon 10.50%, BMK R186) | ↑ | 9.33 | 0.040 | 9.29 | 9.33 |
| GC25 (Coupon 8.50%, BMK R186) | ↑ | 9.15 | 0.040 | 9.11 | 9.15 |
| GC26 (Coupon 8.50%, BMK R186) | ↑ | 9.06 | 0.040 | 9.02 | 9.06 |
| GC27 (Coupon 8.00%, BMK R186) | ↑ | 9.53 | 0.040 | 9.49 | 9.53 |
| GC28 (Coupon 8.50%, BMK R2030) | ↑ | 10.12 | 0.040 | 10.08 | 10.11 |
| GC30 (Coupon 8.00%, BMK R2030) | ↑ | 10.44 | 0.040 | 10.40 | 10.43 |
| GC32 (Coupon 9.00%, BMK R213) | ↑ | 10.62 | 0.045 | 10.57 | 10.62 |
| GC35 (Coupon 9.50%, BMK R209) | ↑ | 11.60 | 0.040 | 11.56 | 11.60 |
| GC37 (Coupon 9.50%, BMK R2037) | ↑ | 12.18 | 0.045 | 12.13 | 12.18 |
| GC40 (Coupon 9.80%, BMK R214) | ↑ | 12.63 | 0.045 | 12.58 | 12.63 |
| GC43 (Coupon 10.00%, BMK R2044) | ↑ | 12.62 | 0.035 | 12.58 | 12.61 |
| GC45 (Coupon 9.85%, BMK R2044) | ↑ | 13.02 | 0.035 | 12.98 | 13.01 |
| GC48 (Coupon 10.00%, BMK R2048) | ↑ | 13.12 | 0.025 | 13.09 | 13.12 |
| GC50 (Coupon 10.25%, BMK: R2048) | ↑ | 13.21 | 0.025 | 13.18 | 13.21 |
| 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 | 5.70 |
| GI36 (Coupon 4.80%, BMK NCPI) | ⇒ | 5.90 | 0.000 | 5.90 | 6.07 |
| Commodities | | Last close | Change | Prev close | Current Spot |
| Gold | ↑ | 1,933 | 0.50% | 1,924 | 1,931 |
| Platinum | ↑ | 933 | 0.88% | 925 | 930 |
| Brent Crude | ↑ | 94.4 | 0.53% | 93.9 | 95.0 |
| Main Indices | | Last close | Change | Prev close | Current Spot |
| NSX Overall Index | ↓ | 1,594 | -0.77% | 1,606 | 1,594 |
| JSE All Share | ↓ | 73,908 | -0.91% | 74,590 | 73,908 |
| SP500 | ↑ | 4,454 | 0.07% | 4,450 | 4,454 |
| FTSE 100 | ↓ | 7,653 | -0.76% | 7,711 | 7,653 |
| Hangseng | ↓ | 17,931 | -1.39% | 18,183 | 17,900 |
| DAX | ↓ | 15,727 | -1.05% | 15,894 | 15,727 |
| JSE Sectors | | Last close | Change | Prev close | Current Spot |
| Financials | ↓ | 16,150 | -0.54% | 16,238 | 16,150 |
| Resources | ↓ | 59,321 | -1.24% | 60,068 | 59,321 |
| Industrials | ↓ | 101,320 | -1.13% | 102,475 | 101,320 |
| Forex | | Last close | Change | Prev close | Current Spot |
| N\$/US dollar | ↓ | 19.01 | -0.21% | 19.05 | 19.04 |
| N\$/Pound | ↓ | 23.53 | -0.21% | 23.58 | 23.56 |
| N\$/Euro | ↑ | 20.32 | 0.12% | 20.29 | 20.33 |
| US dollar/ Euro | ↑ | 1.069 | 0.33% | 1.066 | 1.068 |
| | | 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 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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