

The Daily Brief

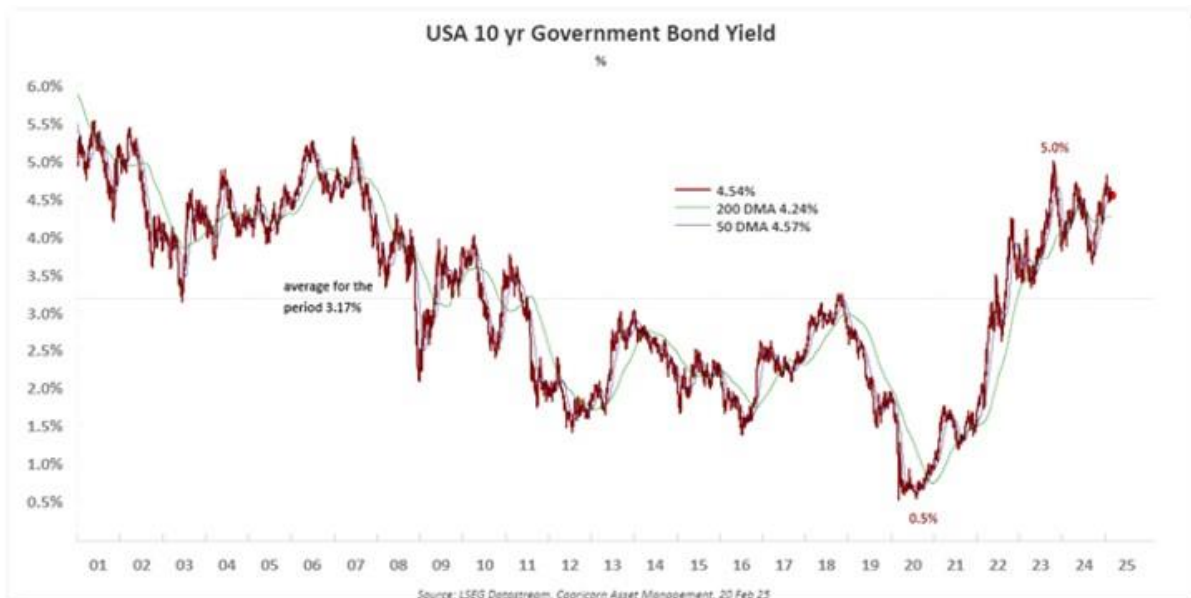


Capricorn Asset Management

Market Update

Thursday, 20 February 2025

Global Markets



Asian shares fell sharply on Thursday, tracking choppy trading on Wall Street and a dip in European stocks as U.S. President Donald Trump's tariff plans and a cautious stance from Federal Reserve policymakers hurt risk sentiment. The risk-off mood lifted gold prices to a record high, while safe-haven currencies led by the Japanese yen also firmed on geopolitical worries. Trump said on Tuesday that sector-wide tariffs on pharmaceuticals and semiconductor chips would start at "25% or higher," rising substantially over the course of a year. He intends to impose similar tariffs on autos as soon as April 2.

That along with other threats has exacerbated fears of a wide-ranging trade war, leaving investors jittery, although some analysts see the moves by Trump as a negotiation tool. "In general, the bias for markets remains upwards but if you look shorter term over the last few days, it's more mixed because the market tends to trade around the latest indications of the Trump administration," said Julian McManus, portfolio manager at Janus Henderson Investors. "That tends to be unsettling and markets tend to trade off whenever they hear the word tariff because they think it means either risk for a particular country or they think inflation."

MSCI's broadest index of Asia-Pacific shares outside Japan fell 1% in early trading. Japan's Nikkei slid 1.4% on the strong yen. Chinese stocks had a muted start to the session, with the blue-chip index down 0.4%. Hong Kong's Hang Seng Index slid 1.7%, having touched a four-month high earlier this week boosted by a blistering rally in tech stocks. On Thursday, Hang Seng's tech stocks index fell more than 3%, on course for its worst one-day drop in three months. Still, the index is up nearly 6% so far in February.

Wall Street's main indexes finished higher on Wednesday, with the S&P 500 edging to a second straight closing high after wobbling between green and red throughout the session. The pan-European STOXX 600 index dropped 0.9%, logging its biggest daily fall since the start of the year.

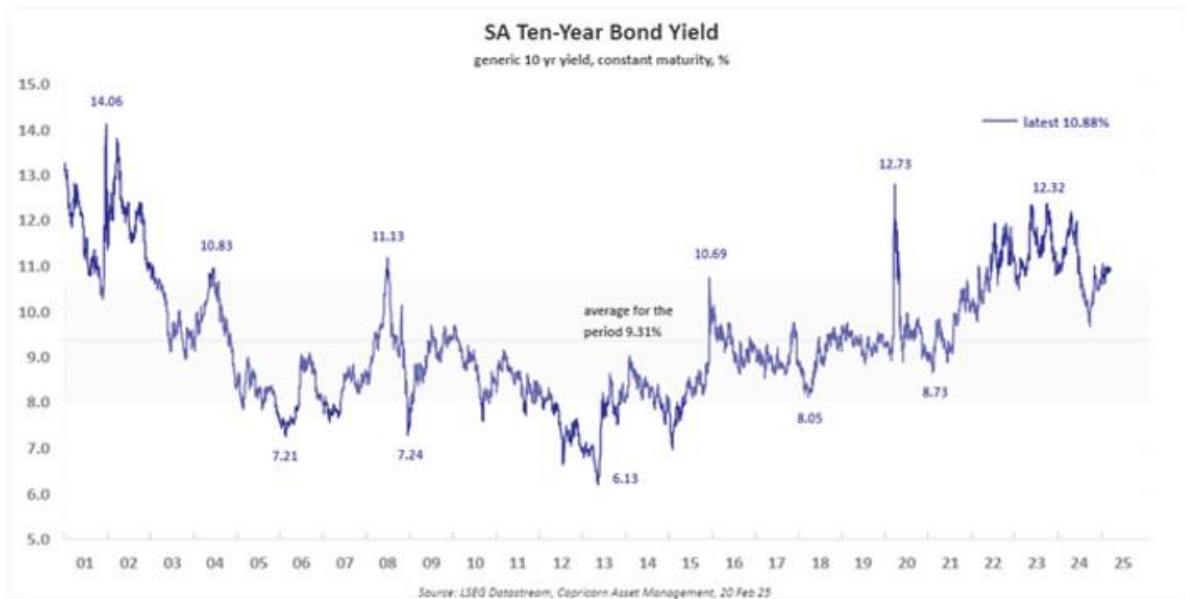
Trump's initial policy proposals raised concern at the Fed about higher inflation, with firms telling the U.S. central bank they generally expected to raise prices to pass along the cost of import tariffs, according to the Fed's January meeting minutes released on Wednesday. "Trump's policies no doubt added complexity to the Fed's balancing act between inflation and employment, forcing policymakers to lean into a wait-and-see approach," said Yeap Jun Rong, market strategist at IG. "That said, with market expectations already well aligned for a rate hold over the next two FOMC meetings, the minutes served more as confirmation of existing sentiment."

The yen gained as market jitters escalated on geopolitical worries after Trump denounced Ukrainian President Volodymyr Zelenskiy as a "dictator" amid talks to end the Ukraine war. The yen hit an over two-month high against the dollar and was last up nearly 0.6% at 150.57 per dollar. The yen has risen more than 4% against the dollar this year boosted by rising odds of the Bank of Japan hiking rates again in 2025. The dollar index, which measures the greenback against a basket of currencies including the yen and the euro, eased 0.1% to 107.07. The euro was steady at \$1.0429.

Gold prices rose to a fresh record high of \$2,946.85 an ounce on safe-haven demand, reaching a new peak for the ninth time this year. The yellow metal was last at \$2,940.63.

Oil prices eased away from a one-week high on worries about supply disruptions in Russia and the U.S., even as the market awaits the outcome of talks to end the war in Ukraine.

Source: LSEG Thomson Reuters Refinitiv.



Domestic Markets

South Africa's rand weakened on Wednesday after the national budget was postponed due to disagreements within the coalition government. At 1505 GMT, the rand traded at 18.565 against the dollar, down about 0.9% from its previous close.

After his budget speech was postponed, South Africa's Finance Minister Enoch Godongwana said the government would have further discussions and propose a new budget in March. The Democratic Alliance (DA) said the budget had been postponed because of its opposition to an African National Congress (ANC) proposal to increase value-added tax (VAT) by 2 percentage points. The ANC will need the support of other parties to pass the budget as it lost its parliamentary majority in an election last year. The DA is its main partner in the government.

Analysts said the knee-jerk market reaction was not surprising, with current volatility expected to be temporary. "While this lack of cohesion raises concerns about the government's ability to reach consensus, it is worth noting that the GNU (government of national unity) remains intact and actively negotiating – an indication that the process, however fraught, is still functioning," said Danny Greeff, co-head of Africa at ETM Analytics. Investors were keenly awaiting the budget speech for clues on the coalition government's fiscal priorities, its plans to tackle debt, and economic reforms.

The delay also triggered the sharpest selloff in the country's government bonds since December with the 2052 dollar bond trading roughly 1 cent lower to be bid at 89.20 cents on the dollar. Jurgen Eckmann, wealth manager at Consult advisory group, said sentiment could soon recover after Wednesday's market selloff. "When the budget is finally tabled in March, we will hopefully see a stronger, more balanced budget of consensus," Eckmann said.

On the stock market, the Top-40 index closed down about 0.8%. South Africa's benchmark 2030 government bond was weaker, with the yield up 5.5 basis points at 9.18%.

Source: LSEG Thomson Reuters Refinitiv.

Live life to the fullest, and focus on the positive.

Matt Cameron

Market Overview

MARKET INDICATORS (Bloomberg)		20 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)	↓	7.51	-0.007	7.52	7.50
GC26 (Coupon 8.50%, BMK: R186)	↑	8.50	0.004	8.50	8.50
GC27 (Coupon 8.00%, BMK: R186)	↓	8.81	-0.002	8.82	8.82
GC30 (Coupon 8.00%, BMK: R2030)	↑	9.12	0.012	9.11	9.12
GC32 (Coupon 9.00%, BMK: R213)	↑	10.06	0.020	10.04	10.06
GC35 (Coupon 9.50%, BMK: R209)	↑	11.05	0.004	11.04	11.05
GC37 (Coupon 9.50%, BMK: R2037)	↑	11.26	0.016	11.25	11.27
GC40 (Coupon 9.80%, BMK: R214)	↑	11.57	0.021	11.55	11.57
GC43 (Coupon 10.00%, BMK: R2044)	↓	11.51	-0.004	11.52	11.51
GC45 (Coupon 9.85%, BMK: R2044)	↓	11.82	-0.006	11.83	11.82
GC50 (Coupon 10.25%, BMK: R2048)	↓	11.66	0.000	11.66	11.65
Inflation-Linked Bonds		Last Close	Change	Prev Close	Current Spot
GI25 (Coupon 3.80%, BMK: NCPI)	↓	3.35	-0.003	3.35	3.34
GI27 (Coupon 4.00%, BMK: NCPI)	↑	4.39	0.001	4.38	4.39
GI29 (Coupon 4.50%, BMK: NCPI)	↓	4.79	-0.004	4.80	4.79
GI33 (Coupon 4.50%, BMK: NCPI)	↓	5.28	-0.001	5.28	5.28
GI36 (Coupon 4.80%, BMK: NCPI)	↑	5.68	0.000	5.68	5.68
Commodities		Last Close	Change	Prev Close	Current Spot
Gold	↓	2,933	-0.09%	2,936	2,945
Platinum	↓	976	-1.06%	986	977
Brent Crude	↑	76.0	0.26%	75.84	76.03
Main Indices		Last Close	Change	Prev Close	Current Spot
NSX Local Index	↓	1025	-0.97%	1035	1025
JSE All Share	↓	88,342	-0.81%	89,062	88,342
S&P 500	↑	6,144	0.23%	6,130	6,144
FTSE 100	↓	8,713	-0.62%	8,767	8,713
Hangseng	↓	22,660	-1.24%	22,944	22,660
DAX	↓	22,434	-1.80%	22,845	22,434
JSE Sectors		Last Close	Change	Prev Close	Current Spot
Financials	→	20,406	0.00%	20,406	20,361
Resources	→	62,583	0.00%	62,583	61,230
Industrials	→	128,253	0.00%	128,253	127,314
Forex		Last Close	Change	Prev Close	Current Spot
N\$/US Dollar	↑	18.52	0.60%	18.41	18.50
N\$/Pound	↑	23.32	0.47%	23.21	23.31
N\$/Euro	↑	19.31	0.42%	19.23	19.30
US Dollar/ Euro	↑	1.042	0.19%	1.04	1.04
		Namibia		RSA	
Interest Rates & Inflation		Jan-25	Dec-24	Jan-25	Dec-24
Central Bank Rate	↓	6.75	7.00	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.



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