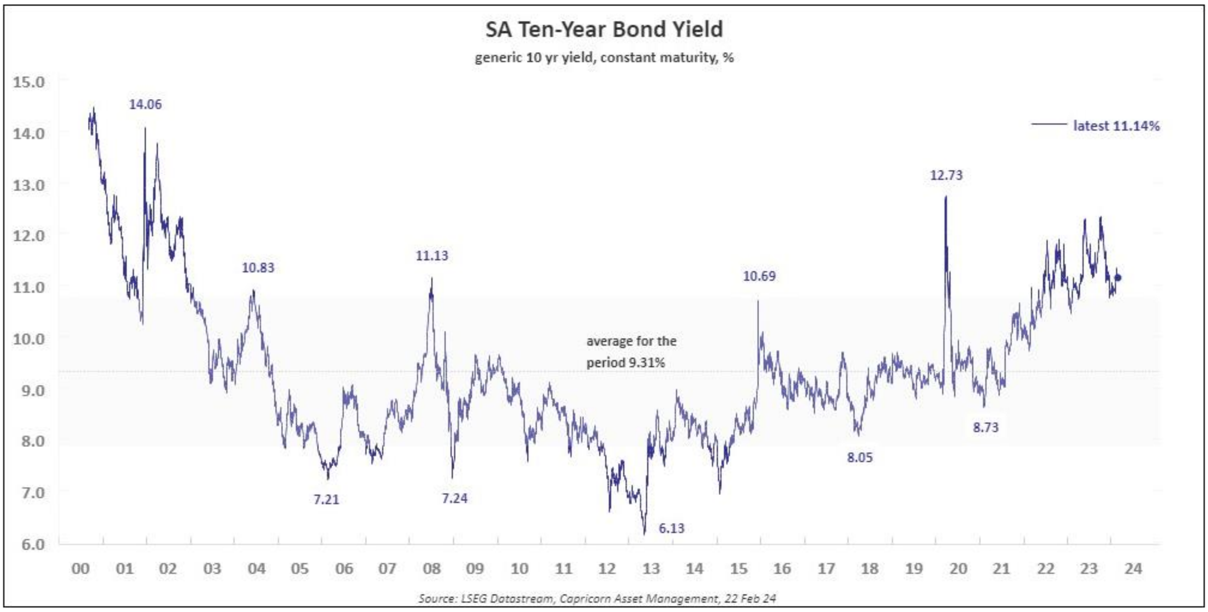
Market Update Thursday, 22 February 2024



Global Markets

Treasury yields rose on Wednesday after minutes from the Federal Reserve's last meeting showed concerns about cutting interest rates too soon, while global shares closed flat ahead of Nvidia results that could determine the near-term outlook for equities. Nvidia jumped more than 7% in after-hours trade after it forecast fiscal first-quarter revenue above estimates compiled by LSEG. The chipmaker banked on towering demand for its industry-leading artificial intelligence chips and improving supply chain dynamics. The minutes kept market sentiment subdued as the bulk of Fed policymakers worried about moving to quickly to cut rates amid broad uncertainty about how long borrowing costs should stay at their current level, minutes of the Jan. 30-31 meeting showed. The two-year Treasury yield, which reflects interest rate expectations, rose 5.8 basis points to 4.670%, and MSCI's gauge of stocks across the globe pared earlier losses to close down 0.04%. "I don't think the minutes really told us anything new. The markets have basically already done the Fed's work for them in terms of pricing out chances of a March rate cut and for a bunch of cuts down the road," said Kim Rupert, managing director of global fixed income at Action Economics in San Francisco.

Policymakers are concerned that the economy is going to limit further disinflationary trends, or at least has the potential to see progress on inflation stall out, she said. "There's some very small risk of a hike that's been priced in just because of the hotter-than-expected inflation numbers" last week, Rupert said. A slim majority of economists polled by Reuters now expects the Fed to start cutting rates in June, farther out than market expectations last month of a first cut in March. Markets now expect 86 basis points (bps) of cuts from the Fed this year, closer to the U.S. central bank's own projection of 75 bps of easing - or half the 150 bps of cuts priced in by traders at the start of the year.

Stocks fell in Europe as shares in HSBCHSBA.L tumbled 8.4% in its biggest single-day decline since April 2020, after a shock $3 billion charge on its stake in a Chinese bank took the shine off record annual profit at the region's largest bank. The pan-European STOXX 600 index closed down 0.17%. Investors expressed concerns that only marginally meeting or beating expectations would lead Nvidia to suffer dramatically and lead investors to pull back. On Wall Street, the Dow Jones Industrial Average rose 0.13%, the S&P 500 gained 0.13% and the Nasdaq Composite dropped 0.32%.

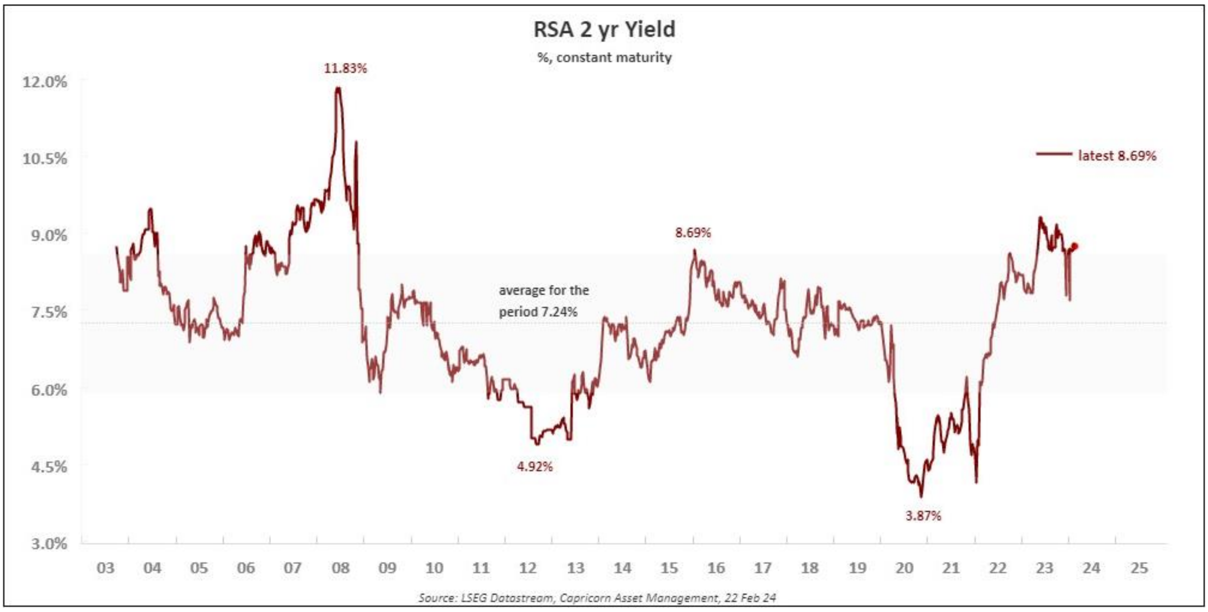
The change in interest rate expectations outlook boosted the dollar and kept the yen, which is extremely sensitive to U.S. rates, near three-month lows. The dollar has had a nice run and is probably at the top of a range at the moment, said Noel Dixon, a vice president of global macro strategy at State Street Global Markets in Boston. "We just need to see more data before we can break out of that range. That'll take probably until we get to the May or June time frame," he said. The dollar index fell 0.038%, with the euro up 0.12% to $1.0816. The Japanese yen weakened 0.18% to 150.27 per dollar.

Steps by Chinese authorities to prop up economic growth in the world's largest raw materials consumer revived doubts about the growth outlook, which weighed on crude oil and iron ore. Chinese blue-chip stocks posted a 1.4% gain on the day, a day after the biggest reduction yet in the nation's benchmark mortgage rate as authorities stepped up efforts to support the property market.

Oil prices rose 1% as geopolitical tensions raged on in the Middle East and traders assessed signs of near-term supply tightness. U.S. West Texas Intermediate crude futures (WTI) rose 87 cents to settle at $77.91 a barrel, while Brent crude finished up 69 cents to $83.03 a barrel. Iron ore futures declined for a third consecutive session to their lowest in nearly four months.

Gold prices climbed to their highest level in more than a week as the dollar retreated. U.S. gold futures settled 0.8% higher at $2,039.80 an ounce.

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand and international dollar bonds jumped on Wednesday, after the finance minister said the government would tap 150 billion rand ($7.99 billion) from a central bank-administered contingency account in order to limit borrowing. At 1249 GMT, the rand traded at 18.825 against the dollar, around 0.49% stronger than its previous close. Just before Finance Minister Enoch Godongwana's 2024 budget speech, it had been trading close to its previous close.

South Africa's longer-dated international bonds rose the most in response to the 2024 budget speech, with the 2052 maturity jumping 1.58 cents on the dollar at 1249 GMT to trade at 87.8 cents, according to Tradeweb data. Africa's most industrialised economy has barely grown in a decade while revenue collection has also been weak, leading to rising debt levels.

The Treasury said in the 2024 budget that it was able to tap the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) - which had a balance of 507.3 billion rand in January 2024 - because it was "now larger than any plausible losses on foreign exchange reserves from rand appreciation". It said the settlement would be used to cut borrowing and the rise in debt servicing costs, meaning gross debt is projected to stabilise at 75.3% of GDP in 2025/26, lower than 77.7% of GDP seen in November. "The government opted for the easy way and tapped R150bn of the valuation gains in the GFECRA," Jee-A van der Linde, senior economist at Oxford Economics, said in a note to clients. "The GFECRA profits, which will be distributed over the next three years, helps to offset the government's net borrowing requirement, and reduces debt-service costs. That said, government has not actually reduced spending nor is it borrowing less." South Africa's bleak economic backdrop, with GDP growth averaging 0.8% since 2012, is looming over national elections due on May 29 that could see the governing African National Congress (ANC) party lose its parliamentary majority for the first time since the end of apartheid 30 years ago.

Meanwhile, data from Stats SA showed earlier on Wednesday that annual inflation quickened to 5.3% in January from 5.1% in December. Economists polled by Reuters had predicted an increase in to 5.4%. The South African Reserve Bank likes to see inflation around the mid-point of its 3% to 6% target range and has said it wants to see a clearer disinflation trend before cutting interest rates.

"Interest rates will be kept steady in the first half of the year, with the first cut of 25 basis points (bps) expected in July, followed by cuts of similar magnitude in September and November," Nedbank economists said in a research note.

Source: Thomson Reuters Refinitiv

An optimist is a fellow who believes a housefly is looking for a way to get out.

George Jean Nathan

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				22 February 2024
Money Market TB Rates %	**Last close**	**Difference**	**Prev close**	**Current Spot**
3 months	8.79	0.000	8.79	8.79
6 months	8.85	0.000	8.85	8.85
9 months	8.89	-0.017	8.91	8.89
12 months	8.92	-0.025	8.95	8.92
Nominal Bond Yields %	**Last close**	**Difference**	**Prev close**	**Current Spot**
GC24 (Coupon 10.50%, BMK R186)	9.02	-0.025	9.05	9.02
GC25 (Coupon 8.50%, BMK R186)	9.11	-0.025	9.14	9.11
GC26 (Coupon 8.50%, BMK R186)	9.11	-0.025	9.14	9.11
GC27 (Coupon 8.00%, BMK R186)	9.23	-0.025	9.26	9.23
GC28 (Coupon 8.50%, BMK R2030)	9.56	-0.090	9.65	9.56
GC30 (Coupon 8.00%, BMK R2030)	9.60	-0.090	9.69	9.60
GC32 (Coupon 9.00%, BMK R213)	10.09	-0.075	10.17	10.09
GC35 (Coupon 9.50%, BMK R209)	11.00	-0.115	11.12	11.00
GC37 (Coupon 9.50%, BMK R2037)	12.14	-0.120	12.26	12.14
GC40 (Coupon 9.80%, BMK R214)	12.25	-0.140	12.39	12.25
GC43 (Coupon 10.00%, BMK R2044)	12.45	-0.105	12.56	12.45
GC45 (Coupon 9.85%, BMK R2044)	12.28	-0.105	12.39	12.28
GC48 (Coupon 10.00%, BMK R2048)	12.39	-0.115	12.51	12.39
GC50 (Coupon 10.25%, BMK: R2048)	12.12	-0.115	12.24	12.12
Inflation-Linked Bond Yields %	**Last close**	**Difference**	**Prev close**	**Current Spot**
GI25 (Coupon 3.80%, BMK NCPI)	3.90	0.000	3.90	3.90
GI27 (Coupon 4.00%, BMK NCPI)	4.60	0.000	4.60	4.60
GI29 (Coupon 4.50%, BMK NCPI)	5.03	0.000	5.03	5.03
GI33 (Coupon 4.50%, BMK NCPI)	5.69	0.000	5.69	5.69
GI36 (Coupon 4.80%, BMK NCPI)	5.99	0.000	5.99	5.99
Commodities	**Last close**	**Change**	**Prev close**	**Current Spot**
Gold	2,025	0.07%	2,024	2,028
Platinum	883	-1.98%	901	886
Brent Crude	83.0	0.84%	82.3	83.2
Main Indices	**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	1,526	0.30%	1,521	1,526
JSE All Share	73,030	0.11%	72,946	73,030
SP500	4,982	0.13%	4,976	4,982
FTSE 100	7,663	-0.73%	7,719	7,663
Hangseng	16,503	1.57%	16,248	16,569
DAX	17,118	0.29%	17,068	17,118
JSE Sectors	**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	17,408	0.83%	17,265	17,408
Resources	49,521	-1.63%	50,343	49,521
Industrials	102,756	0.70%	102,046	102,756
Forex	**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	18.91	0.04%	18.90	18.92
N$/Pound	23.88	0.16%	23.85	23.92
N$/Euro	20.45	0.17%	20.42	20.49
US dollar/ Euro	1.082	0.13%	1.080	1.083
	Namibia		**RSA**	
Interest Rates & Inflation	**Jan 24**	**Dec 23**	**Jan 24**	**Dec 23**
Central Bank Rate	7.75	7.75	8.25	8.25
Prime Rate	11.50	11.50	11.75	11.75
	Jan 24	**Dec 23**	**Jan 24**	**Dec 23**
Inflation	5.4	5.3	5.3	5.1

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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