

## The Daily Brief



Capricorn Asset Management

### Market Update

Tuesday, 23 January 2024



### Global Markets

Japanese shares surged to fresh 34-year highs and the yen gave ground on Tuesday as the Bank of Japan stood pat on ultra-loose monetary policy, while Chinese stocks got a temporary lift from a report of a huge market rescue package. Japan's Nikkei rose 1% to the highest level since February 1990, bringing year-to-date gains to 10.3%. The MSCI's broadest index of Asia-Pacific shares outside Japan was up 0.5%, driven by a 1.8% jump in Hong Kong's Hang Seng index. Bloomberg reported Chinese authorities are seeking to mobilize about 2 trillion yuan (\$278 billion) to stabilise the country's slumping stock markets. Chinese bluechips briefly popped higher on the news but were last down 0.5%, nearing five-year lows.

The Bank of Japan on Tuesday kept ultra-low interest rates intact in a widely expected move, as it awaits more data on whether wage growth will accelerate enough to keep inflation sustainably around its 2% target. None of the economists polled by Reuters expect the central bank to end its negative rate policy this time, though many see it happening in April. Governor Kazuo Ueda will hold a press conference after the decision. The yen lost 0.2% to at 148.35 per dollar, having slid 5% this year. "The market will probably be disappointed again because we don't believe that Ueda will give a clear signal of policy normalisation in the near future," said Robert Carnell, regional head of research, Asia-Pacific, at ING. "He may, however, sound more dovish than in the past, given the

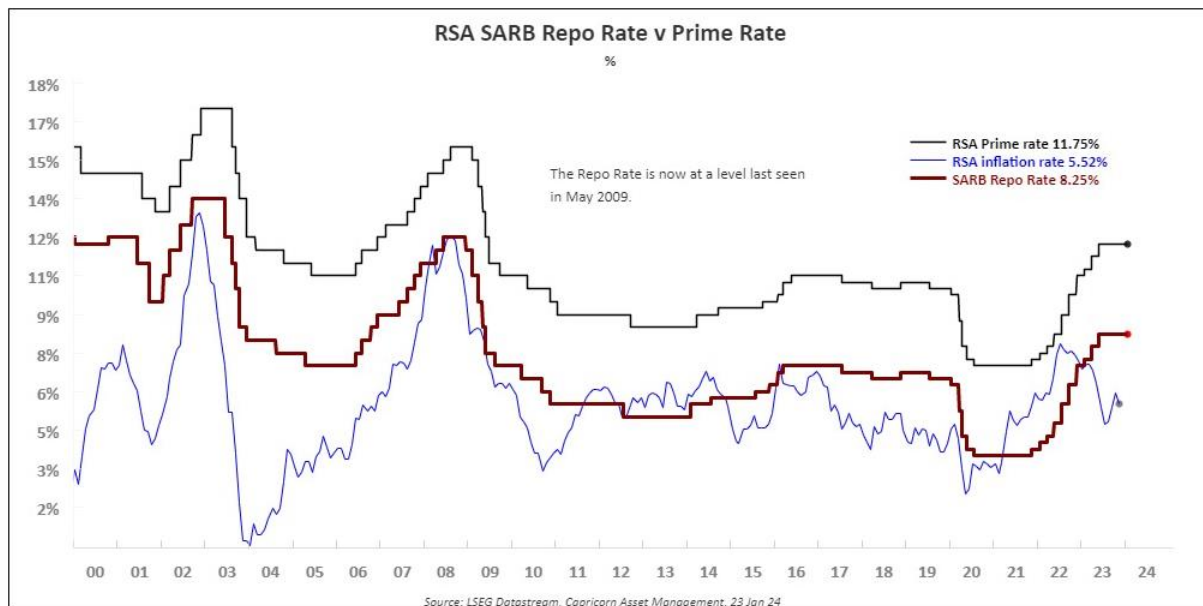
recent slowdown in inflation." Yields on Japanese government bonds eased 1 basis point to 0.64%, way down from a peak of 0.97% in November. Most Asian share markets were up, tracking the overnight rally on Wall Street which sent the benchmark S&P 500 to another record high amid little market-moving data and events.

Investors are waiting for earnings from Netflix after the close and expectations are generally upbeat. Also due is GE, with JPMorgan looking for earnings to beat the Street's forecasts. Traders have pared back the timing of the first interest rate cut from the Federal Reserve, with the probability for March just at 40% now. However, they still see about five rate cuts this year. The European Central Bank (ECB) meets on Thursday and is expected to hold monetary policy steady.

Currency markets were broadly steady ahead of the BOJ decision. The dollar has held up better this year, up 2% against its major peers, but its recent movements have been rangebound and it was holding at 103.31. U.S. Treasury yields were steady after dipping overnight as investors took advantage of a decline in bond prices to enter the market. The 10-year were little changed at 4.1014%, while the two-year yield held at 4.3910%.

Oil prices slipped a little on Tuesday after surging 2% overnight as a Ukrainian drone strike on Russia's Novatek fuel terminal caused supply disruptions. U.S. crude futures were 0.2% lower at \$74.61 per barrel after climbing 2.4% overnight to a one-month top of \$75.75 and Brent futures slipped 0.2% to \$79.94. Spot gold was 0.1% higher at \$2,022.89 an ounce.

**Source: Thomson Reuters Refinitiv**



## Domestic Markets

South Africa's rand weakened against the dollar on Monday, as traders prepare for an eventful week where inflation data and the central bank's first rate decision of the year are on the agenda. At 1516 GMT, the rand traded at 19.1575 against the dollar, 0.64% weaker than its previous close. The dollar was down about 0.12% against a basket of global currencies.

The rand fell sharply last week and has yet to claw back lost ground, as the U.S. currency firmed after investors lowered their expectations of a March interest rate cut by the U.S. Federal Reserve. Statistics South Africa will release consumer and producer price inflation figures for December this week, ahead of the South African Reserve Bank's (SARB) rate decision on Thursday. SARB governor Lesetja Kganyago has said he wants to see inflation decline sustainably to the 4.5% mark before considering rate cuts. Consumer inflation was at 5.5% in November and is expected to average 5% in 2024.

Shares on the Johannesburg Stock Exchange fell, with the blue-chip Top-40 index ending 0.48% lower. South Africa's benchmark 2030 government bond was stronger, with the yield down 5 basis points at 9.715%.

**Source: Thomson Reuters Refinitiv**

Man is what he reads.

Joseph Brodsky

## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				23 January 2024	
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	⇒	8.83	0.000	8.83	8.83
6 months	⇒	8.90	0.000	8.90	8.90
9 months	⇓	8.91	-0.025	8.94	8.91
12 months	⇓	8.93	-0.042	8.97	8.93
<b>Nominal Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC24 (Coupon 10.50%, BMK R186)	⇓	8.93	-0.020	8.95	8.93
GC25 (Coupon 8.50%, BMK R186)	⇓	9.02	-0.020	9.04	9.02
GC26 (Coupon 8.50%, BMK R186)	⇓	9.02	-0.020	9.04	9.02
GC27 (Coupon 8.00%, BMK R186)	⇓	9.14	-0.020	9.16	9.14
GC28 (Coupon 8.50%, BMK R2030)	⇓	9.25	-0.050	9.30	9.25
GC30 (Coupon 8.00%, BMK R2030)	⇓	9.29	-0.050	9.34	9.29
GC32 (Coupon 9.00%, BMK R213)	⇓	9.82	-0.025	9.85	9.82
GC35 (Coupon 9.50%, BMK R209)	⇓	10.87	-0.040	10.91	10.87
GC37 (Coupon 9.50%, BMK R2037)	⇓	12.05	-0.045	12.10	12.05
GC40 (Coupon 9.80%, BMK R214)	⇓	12.22	-0.055	12.27	12.22
GC43 (Coupon 10.00%, BMK R2044)	⇓	12.41	-0.060	12.47	12.41
GC45 (Coupon 9.85%, BMK R2044)	⇓	12.24	-0.060	12.30	12.24
GC48 (Coupon 10.00%, BMK R2048)	⇓	12.36	-0.060	12.42	12.36
GC50 (Coupon 10.25%, BMK: R2048)	⇓	12.09	-0.060	12.15	12.09
<b>Inflation-Linked Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GI25 (Coupon 3.80%, BMK NCPI)	⇒	4.40	0.000	4.40	4.40
GI27 (Coupon 4.00%, BMK NCPI)	⇒	4.69	0.000	4.69	4.70
GI29 (Coupon 4.50%, BMK NCPI)	⇒	5.13	0.000	5.13	5.13
GI33 (Coupon 4.50%, BMK NCPI)	⇒	5.79	0.000	5.79	5.79
GI36 (Coupon 4.80%, BMK NCPI)	⇒	6.13	0.000	6.13	6.13
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	⇓	2,021	-0.40%	2,029	2,024
Platinum	⇓	892	-0.83%	900	896
Brent Crude	⇑	80.1	1.91%	78.6	79.9
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	⇓	1,526	-0.90%	1,540	1,526
JSE All Share	⇓	72,352	-0.43%	72,661	72,352
SP500	⇑	4,850	0.22%	4,840	4,850
FTSE 100	⇑	7,488	0.35%	7,462	7,488
Hangseng	⇓	14,961	-2.27%	15,309	15,241
DAX	⇑	16,683	0.77%	16,555	16,683
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	⇓	17,109	-0.57%	17,207	17,109
Resources	⇓	50,665	-0.72%	51,031	50,665
Industrials	⇓	99,809	-0.28%	100,092	99,809
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	⇑	19.20	0.93%	19.02	19.15
N\$/Pound	⇑	24.40	1.00%	24.16	24.36
N\$/Euro	⇑	20.89	0.78%	20.73	20.85
US dollar/ Euro	⇓	1.088	-0.15%	1.090	1.089
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>Dec 23</b>	<b>Nov 23</b>	<b>Dec 23</b>	<b>Nov 23</b>
Central Bank Rate	⇒	7.75	7.75	8.25	8.25
Prime Rate	⇒	11.50	11.50	11.75	11.75
		<b>Dec 23</b>	<b>Nov 23</b>	<b>Nov 23</b>	<b>Oct 23</b>
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 listed

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**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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**Capricorn Asset Management**



**Bank Windhoek**

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**For enquiries concerning the Daily Brief please contact us at**

**[Daily.Brief@capricorn.com.na](mailto:Daily.Brief@capricorn.com.na)**

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