

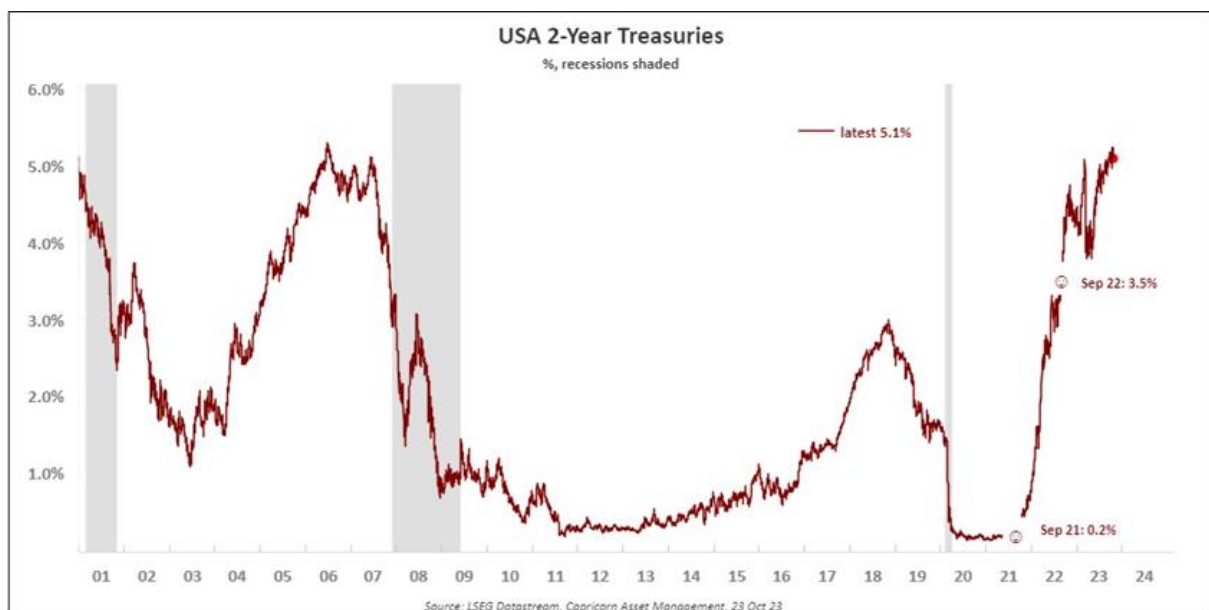
## The Daily Brief



Capricorn Asset Management

### Market Update

Monday, 23 October 2023



### Global Markets

Asian shares hit one-year lows Monday as the risk of a wider conflict in the Middle East clouded sentiment in a week laden with data on U.S. growth and inflation as well as earnings from some of the world's largest tech companies. Bonds were also under pressure as U.S. 10-year Treasury yields crept to within a whisker of 5.0%, pushing borrowing costs up across the globe and testing equity valuations. Washington warned over the weekend of a significant risk to U.S. interests in the Middle East as ally Israel pounded Gaza and clashes on its border with Lebanon intensified.

The European Central Bank and Bank of Canada also hold policy meetings and, while no hikes are expected, investors will be sensitive to guidance on futures moves. The recent surge in bond yields has tightened monetary conditions without the central banks having to do anything, allowing the Federal Reserve to signal it will likely stay on hold at its policy meeting next week. Indeed, futures imply around a 70% chance the Fed is done tightening for this cycle and are flirting with the chance of rate cuts from May next year. The jump in yields has challenged equity valuations and dragged most of the major indices lower last week, while the VIX 'fear index' of U.S. stock market volatility hit its highest since March.

On Monday, MSCI's broadest index of Asia-Pacific shares outside Japan slipped 0.5% to its lowest in almost a year. China's blue chip index lost 0.6% to its weakest since early 2019. Japan's Nikkei eased 0.6%, as did South Korea's market. EUROSTOXX 50 futures and FTSE futures were flat. Both S&P 500 futures and Nasdaq futures added 0.2%, underpinned by hopes a rush of earnings reports this week will provide some support.

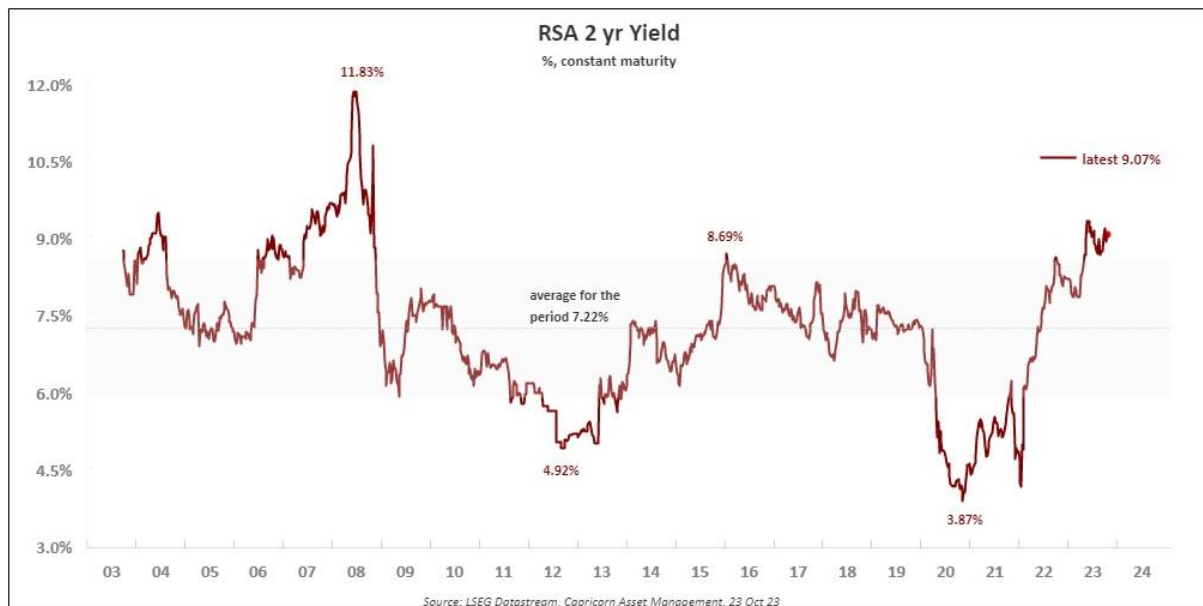
Mega caps Microsoft, Alphabet, Amazon and Meta Platforms are all reporting. IBM and Intel are also on the docket. Profits should be supported by the strength of consumer demand with figures on U.S. gross domestic product this week expected to show annualised growth of a heady 4.2% in the third quarter, and nominal annualised growth possibly as high as 7%. "At the same time, last quarter's modest rise in hours worked points to a strong productivity gain and surge in corporate profits," wrote JPMorgan chief economist Bruce Kasman in a note.

"As corporate and household income share the benefits of this nominal activity surge, the underlying resilience of the U.S. private sector is being reinforced." This U.S. outperformance has underpinned the dollar, though the threat of Japanese intervention has capped it around 150.00 yen at least for the moment. The dollar was last trading at 149.93 yen, just below the recent peak of 150.16.

Yields in Japan were also on the rise on speculation the Bank of Japan was discussing a further tweak to its yield curve control policy, which might be announced at its policy meeting on Oct. 31. The euro was flat at \$1.0578, while the Swiss franc CHF= held firm at 0.8946 per dollar having benefited from safe haven flows over the past couple of weeks.

Gold has likewise attracted a safety bid to stand at \$1,973 an ounce, having hit its highest since May last week. Oil prices gave back some ground in the absence of any disruption to supplies from the Middle East, at least for now. Brent was last down 73 cents at \$91.43 a barrel, while U.S. crude eased 82 cents to \$87.26

**Source: Thomson Reuters Refinitiv**



## Domestic Markets

The South African rand regained lost ground on Friday against the U.S. dollar while global focus remained on conflict in the Middle East. At 1505 GMT, the rand traded at 18.9350 against the dollar, over 0.5% weaker than its previous close. The rand had weakened in the past couple of days on soaring U.S. Treasury yields and a sharp spike in local inflation. The dollar last traded around 0.07% weaker against a basket of global currencies.

"Global markets are volatile, which creates risks of spillover, but overall, the rand seems unlikely to go very far in either direction," analysts at Rand Merchant Bank said in a note earlier. Local investors will turn their attention towards monthly producer price inflation figures next week for clues on the health of Africa's most industrialised economy.

Shares on the Johannesburg Stock Exchange closed lower, with the blue-chip Top-40 index down 1.1%. South Africa's benchmark 2030 government bond was stronger in early deals, with the yield down 8.5 basis points to 10.800%.

**Source: Thomson Reuters Refinitiv**

Learn from yesterday, live for today, hope for tomorrow.

The important thing is not to stop questioning.

**Albert Einstein**

## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)			23 October 2023		
<b>Money Market TB Rates %</b>		Last close	Difference	Prev close	Current Spot
3 months	⇒	8.25	0.000	8.25	8.25
6 months	⇒	8.81	0.000	8.81	8.81
9 months	↓	8.98	-0.009	8.99	8.98
12 months	⇒	9.09	0.000	9.09	9.09
<b>Nominal Bond Yields %</b>		Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	↓	9.63	-0.095	9.73	9.63
GC25 (Coupon 8.50%, BMK R186)	↓	9.45	-0.095	9.55	9.45
GC26 (Coupon 8.50%, BMK R186)	↓	9.36	-0.095	9.46	9.36
GC27 (Coupon 8.00%, BMK R186)	↓	9.83	-0.095	9.93	9.83
GC28 (Coupon 8.50%, BMK R2030)	↓	10.40	-0.085	10.49	10.40
GC30 (Coupon 8.00%, BMK R2030)	↓	10.72	-0.085	10.81	10.72
GC32 (Coupon 9.00%, BMK R213)	↓	10.93	-0.088	11.01	10.93
GC35 (Coupon 9.50%, BMK R209)	↓	11.88	-0.055	11.94	11.88
GC37 (Coupon 9.50%, BMK R2037)	↓	12.46	-0.055	12.51	12.46
GC40 (Coupon 9.80%, BMK R214)	↓	12.85	-0.055	12.91	12.83
GC43 (Coupon 10.00%, BMK R2044)	↓	12.89	-0.055	12.95	12.89
GC45 (Coupon 9.85%, BMK R2044)	↓	13.29	-0.055	13.35	13.29
GC48 (Coupon 10.00%, BMK R2048)	↓	13.40	-0.050	13.45	13.40
GC50 (Coupon 10.25%, BMK: R2048)	↓	13.49	-0.050	13.54	13.49
<b>Inflation-Linked Bond Yields %</b>		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)	↑	4.71	0.030	4.68	4.71
GI29 (Coupon 4.50%, BMK NCPI)	↑	5.20	0.050	5.15	5.20
GI33 (Coupon 4.50%, BMK NCPI)	⇒	5.81	0.000	5.81	5.81
GI36 (Coupon 4.80%, BMK NCPI)	⇒	6.19	0.000	6.19	6.19
<b>Commodities</b>		Last close	Change	Prev close	Current Spot
Gold	↑	1,981	0.37%	1,974	1,974
Platinum	↑	895	0.46%	891	890
Brent Crude	↓	92.2	-0.24%	92.4	91.3
<b>Main Indices</b>		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,504	-2.22%	1,538	1,504
JSE All Share	↓	70,198	-1.08%	70,961	70,198
SP500	↓	4,224	-1.26%	4,278	4,224
FTSE 100	↓	7,402	-1.30%	7,500	7,402
Hangseng	↓	17,172	-0.72%	17,296	17,172
DAX	↓	14,798	-1.64%	15,045	14,798
<b>JSE Sectors</b>		Last close	Change	Prev close	Current Spot
Financials	↓	15,569	-1.82%	15,858	15,569
Resources	↓	57,254	-0.92%	57,783	57,254
Industrials	↓	93,397	-0.71%	94,065	93,397
<b>Forex</b>		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	18.94	-0.43%	19.02	18.98
N\$/Pound	↓	23.03	-0.29%	23.09	23.06
N\$/Euro	↓	20.06	-0.32%	20.12	20.08
US dollar/ Euro	↑	1.059	0.13%	1.058	1.058
		Namibia		RSA	
<b>Interest Rates &amp; Inflation</b>		Sep 23	Aug 23	Sep 23	Aug 23
Central Bank Rate	⇒	7.75	7.75	8.25	8.25
Prime Rate	⇒	11.50	11.50	11.75	11.75
		Sep 23	Aug 23	Sep 23	Aug 23
Inflation	↑	5.4	4.7	5.4	4.8

#### 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.*



**Capricorn Asset Management**



**Bank Windhoek**

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