

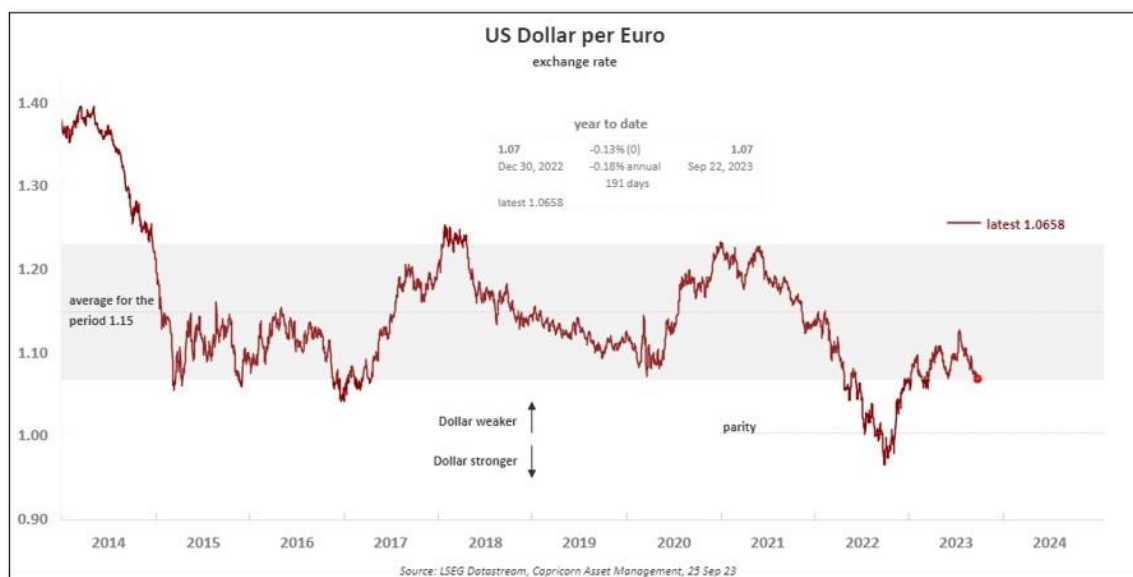
The Daily Brief



Capricorn Asset Management

Market Update

Monday, 25 September 2023



Global Markets

Asian stocks rose strongly on Friday, extending a global equity rally, after better-than-expected Chinese economic data added to the good vibes from expectations that tightening campaigns by the world's biggest central banks were close to over. MSCI's broadest index of Asia-Pacific shares rallied 0.84%. Japan's Nikkei jumped 1.33% to a two-month high. Hong Kong's Hang Seng added 1.2%, and mainland Chinese blue chips rose 0.2%, flipping from early small losses. Australia's stock benchmark surged 1.75%. U.S. S&P 500 futures pointed to a 0.17% rise, after the cash index rallied 0.84% on Thursday.

Chinese gauges of retail sales and industrial output for August handily topped economists forecasts, providing additional tailwinds from the central bank's decision overnight to cut banks' reserve ratio requirements for a second time this year. It was not all blue skies though, with data earlier in the day showing the biggest drop in new home prices in 10 months - another reminder of the property sector's struggles, after Moody's cut the sector's outlook to negative on Thursday. "It's certainly not a definitive turning point, but perhaps we're seeing green shoots in China's economy," said Kyle Rodda, senior market analyst at brokerage firm Capital.com, calling the retail sales figures "particularly heartening."

"It's a nice little shot in the arm to end the week" for stock markets, but "I think investors will be searching for more in terms of support from the central government, and ultimately, more fiscal support is what's required to boost demand," he said. The overall improving economic outlook bolstered the Chinese yuan, which gained about 0.3% to 7.2709 per dollar in offshore markets. Australia's dollar AUD=D3, which often trades as a proxy for the country's top trading partner, rose 0.3% to \$0.6460.

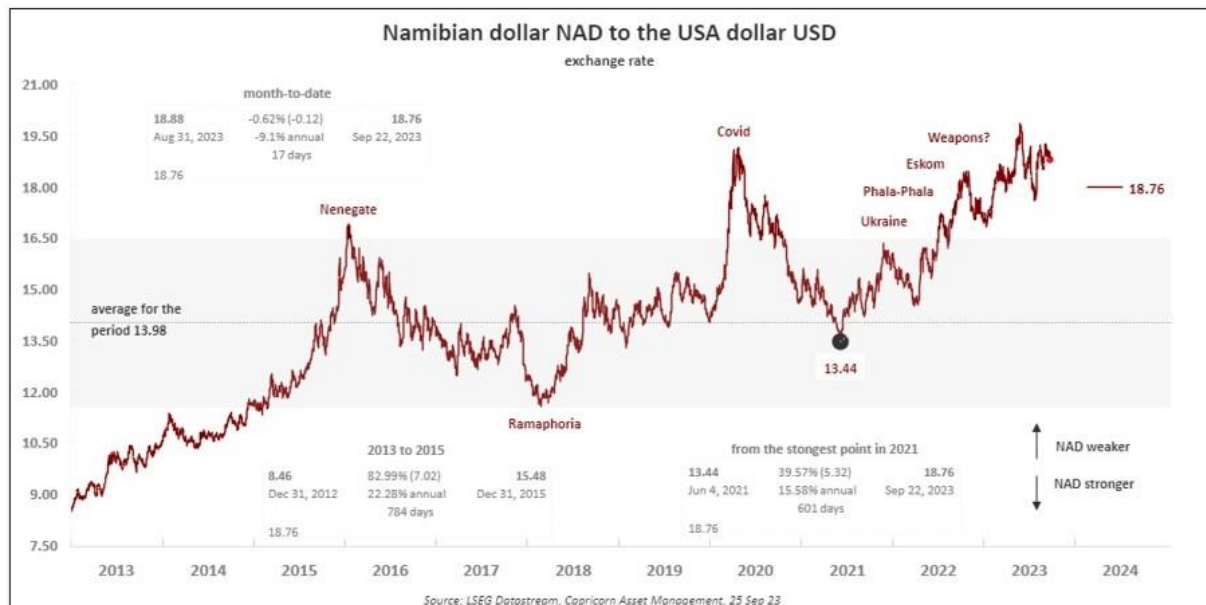
However, a gauge of the U.S. dollar against six of its biggest developed-market peers stuck close to the six-month peak it reached overnight, buoyed primarily by the euro's steep overnight slide. The dollar index is on track for a ninth straight weekly advance, the longest run in nine years. Whether it can extend that to a tenth week depends of Fed Chair Jerome Powell's tone after the central bank policy decision on Sept. 20, Sycamore said. The dollar stuck close to a six-month peak from overnight against major peers, buoyed by robust U.S. economic data, while the euro sagged following the European Central Bank's signal that Thursday's rate hike was probably the last this cycle. The so-called U.S. dollar index edged down 0.08% to 105.33, after hitting the highest since early March at 105.43 on Thursday. The euro was flat at \$1.0643, languishing near the overnight low of \$1.0632, the lowest level since March 20.

The European Central Bank (ECB) hiked its key interest rate to a record 4% on Thursday, but hinted that this latest increase would likely be its last. Meanwhile, U.S. data showed producer prices increased by the most in more than a year in August and retail sales also rose more than expected. But both of those figures were swelled by higher gasoline prices. As a result, traders stuck to bets for the Federal Reserve to skip a rate hike next week, in what might be the end of the tightening cycle. "A dovish ECB rate hike contrasted against a U.S. economy ticking all the boxes to retain its Goldilocks status into year-end," said Tony Sycamore, a market analyst at IG.

In energy markets, crude oil extended its rise in Asia trading, touching fresh highs since November. Crude oil hit a fresh 10-month top.

Brent crude rose 0.5% to \$94.16, while the U.S. West Texas Intermediate crude (WTI) was up 0.6% at \$90.74.

.Source: Thomson Reuters Refinitiv



Domestic Markets

South Africa's rand posted strong gains on Friday, as traders pushed out expectations for interest rate cuts in the wake of a hawkish monetary policy update from the country's central bank a day earlier. However, some analysts said the scope for further rand appreciation was limited before the mid-term budget on Nov. 1 given worries over the health of South African public finances. At 1236 GMT, the rand traded at 18.7775 against the U.S. dollar, about 1% stronger than its previous closing level.

On Thursday, the South African Reserve Bank (SARB) left its main interest rate on hold despite inflation being firmly within its target, with analysts seeing a hawkish tilt to its statement which stressed that deteriorating public finances risked fuelling price pressures. Danny Greeff, co-head of Africa at ETM Analytics, said there had been a re-pricing of SARB rate cut risk.

"The interest rates swaps and forward rate agreement curves have been steepening slightly after the SARB's meeting, pointing to a market that is pushing out expectations for eventual rate cuts. This suggests that South Africa's interest rate premium over funding nations will remain wider for longer, which will support capital inflows and the rand," he said. Rand Merchant Bank analysts said in a research note that risks to the rand were mainly tied to the country's fiscal position. "Seeing any meaningful appreciation ahead of the Medium-Term Budget Policy Statement in November is unlikely as investors wait for clarity," they wrote.

On the Johannesburg Stock Exchange, the Top-40 index was up 0.7%. The benchmark 2030 government bond ZAR2030= was weaker, the yield up 8.5 basis points to 10.650%.

Source: Thomson Reuters Refinitiv

I believe things cannot make themselves impossible.

Stephen Hawking

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				25 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	⇒	8.81	0.000	8.81	8.81
12 months	↑	8.91	0.008	8.90	8.91
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	↑	9.48	0.090	9.39	9.48
GC25 (Coupon 8.50%, BMK R186)	↑	9.30	0.090	9.21	9.30
GC26 (Coupon 8.50%, BMK R186)	↑	9.21	0.090	9.12	9.21
GC27 (Coupon 8.00%, BMK R186)	↑	9.68	0.090	9.59	9.68
GC28 (Coupon 8.50%, BMK R2030)	↑	10.26	0.090	10.17	10.26
GC30 (Coupon 8.00%, BMK R2030)	↑	10.58	0.090	10.49	10.58
GC32 (Coupon 9.00%, BMK R213)	↑	10.76	0.090	10.67	10.76
GC35 (Coupon 9.50%, BMK R209)	↑	11.77	0.085	11.68	11.77
GC37 (Coupon 9.50%, BMK R2037)	↑	12.33	0.090	12.24	12.33
GC40 (Coupon 9.80%, BMK R214)	↑	12.78	0.065	12.72	12.77
GC43 (Coupon 10.00%, BMK R2044)	↑	12.77	0.065	12.70	12.77
GC45 (Coupon 9.85%, BMK R2044)	↑	13.17	0.065	13.10	13.17
GC48 (Coupon 10.00%, BMK R2048)	↑	13.27	0.065	13.20	13.27
GC50 (Coupon 10.25%, BMK R2048)	↑	13.36	0.065	13.29	13.36
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	0.003	4.44	4.44
GI29 (Coupon 4.50%, BMK NCPI)	↑	5.09	0.064	5.03	5.09
GI33 (Coupon 4.50%, BMK NCPI)	↓	5.58	-0.121	5.70	5.58
GI36 (Coupon 4.80%, BMK NCPI)	↓	5.98	-0.092	6.07	5.98
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,925	0.28%	1,920	1,923
Platinum	↑	926	0.77%	919	922
Brent Crude	↓	93.3	-0.03%	93.3	93.8
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,579	-0.15%	1,582	1,579
JSE All Share	↑	73,399	0.22%	73,238	73,399
SP500	↓	4,320	-0.23%	4,330	4,320
FTSE 100	↑	7,684	0.07%	7,679	7,684
Hangseng	↑	18,057	2.28%	17,655	17,825
DAX	↓	15,557	-0.09%	15,572	15,557
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	16,423	0.13%	16,402	16,423
Resources	↓	58,166	-0.14%	58,245	58,166
Industrials	↑	99,905	0.82%	99,087	99,905
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	18.74	-1.08%	18.94	18.76
N\$/Pound	↓	22.93	-1.53%	23.29	22.96
N\$/Euro	↓	19.96	-1.14%	20.19	19.97
US dollar/ Euro	↓	1.065	-0.06%	1.066	1.065
		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	Aug 23	Jul 23
Inflation	↑	4.7	4.5	4.8	4.7

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

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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