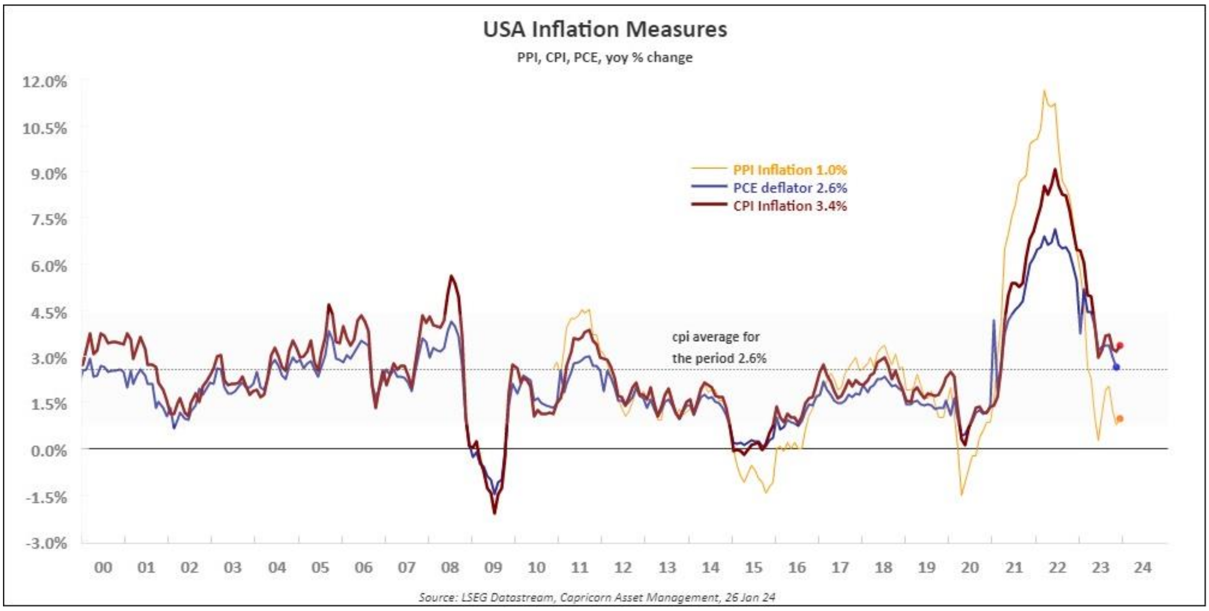
Market Update **Friday, 26 January 2024**



Global Markets

Asian shares were set on Friday to snap a three-week losing streak, while investors awaited a key reading on U.S. inflation later in the day to gauge the outlook for U.S. rates. MSCI's broadest index of Asia-Pacific shares outside Japan held broadly steady and was on track for a weekly gain of 2%. Trading was thinned with Australia out on a holiday.

Chinese stocks looked set to end the week on a strong footing as a wave of policy support from Beijing restored fragile investor confidence and put a floor under its sliding stock market. The blue-chip index rose 0.03% and was eyeing a 2% weekly gain, while the Shanghai Composite edged 0.3% higher, putting it on track for a 3% weekly rise, its largest since July 2023. Hong Kong's Hang Seng Index .HSI eased 0.41%, but was still more than 5% higher for the week, also its best performance since last July. In an attempt to shore up its fragile economic recovery, China's central bank announced a deep cut to bank reserves on Wednesday, in a move that will inject about $140 billion of cash into the banking system. Those came a day after Bloomberg News reported Chinese authorities are seeking to mobilise about 2 trillion yuan ($278.98 billion), mainly from the offshore accounts of Chinese state-owned enterprises, as part of a stabilisation fund to buy shares. "We remain cautious on China, in line with our view for several years," said John Pinkel, a partner and portfolio manager at Indus Capital. "We see evidence of selling induced by structured 'snowball' products, especially from onshore China sources. This is blending with selling driven by fund closures as well as ongoing uncertainty about Beijing’s commitment to markets... It looks like some investors are giving up on the market."

Elsewhere, Japan's Nikkei slid 1%, retreating from a 34-year high hit at the start of the week, as bets ramped up that the Bank of Japan (BOJ) could soon exit its massive stimulus. BOJ policymakers agreed to further debate the timing of an exit from its ultra-loose monetary policy, and the appropriate pace of interest rate hikes thereafter, minutes of their December meeting showed on Friday. Separate data on Friday meanwhile showed core inflation in Tokyo slowed below the central bank's 2% target to hit the lowest level in nearly two years. Earlier in the week, the BOJ stood pat on its ultra-easy monetary settings, but signalled its growing conviction that conditions for phasing out its huge stimulus were falling into place. Those expectations helped the yen firm slightly to last stand at 147.56 per dollar. "The overall message is that the BOJ is getting closer to pulling the trigger on calling a first rate hike," said Joy Yang, head of Asian economic research at Point72.

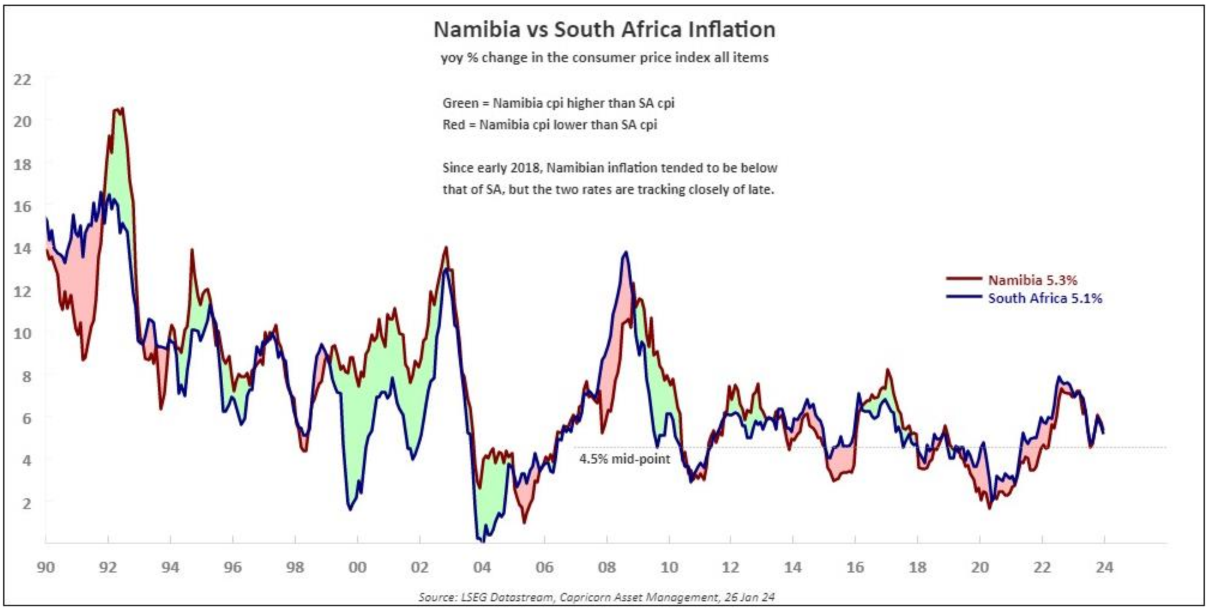
European Central Bank (ECB) policymakers likewise kept interest rates steady on Thursday, as expected, and reaffirmed their commitment to fighting inflation. However, four sources told Reuters that the ECB was open to a change in its rhetoric at the next meeting, paving the way for an interest rate cut possibly in June, if upcoming data confirms inflation has been vanquished. The euro eased 0.05% to $1.0840 and was on track to end the week with a 0.5% loss.

In the broader market, focus was on the release of the personal consumption expenditures (PCE) price index later on Friday, with expectations for the so-called core PCE price index - the Federal Reserve's preferred measure of inflation - to rise 3% on an annual basis. Data on Thursday showed the U.S. economy grew faster than expected in the fourth quarter amid strong consumer spending, shrugging off dire predictions of a recession in the world's largest economy. "This release shows further resilience in U.S. growth," said David Doyle, Macquarie's head of economics. "While challenges remain ahead that suggest weaker activity, there were encouraging developments."

U.S. Treasury yields slipped in the wake of the report which also showed inflation pressures subsiding further, with the benchmark 10-year yield last at 4.1126%. The two-year yield, which closely reflects near-term interest rate expectations, eased 3 basis points to 4.2850%.

In currencies, the U.S. dollar drew support from the strong GDP data, pushing sterling down 0.07% to $1.2702. The Aussie dipped 0.05% to $0.6582. Oil prices eased slightly after settling roughly 3% higher in the previous session, as tensions in the Red Sea continued to pose a threat to global trade. Brent futures dipped 0.4% to $82.11 a barrel. U.S. crude eased 0.57% to $76.92 per barrel. Gold last bought $2,021.50 an ounce.

Source: Thomson Reuters Refinitiv



Domestic Markets

South Africa's rand was steady on Thursday, little affected by the central bank's decision to leave interest rates unchanged and the release of data showing a slowdown in producer price inflation. At 1558 GMT the rand traded at 18.8800 against the U.S. dollar, near its previous close of 18.8825. The South African currency strengthened on Wednesday after consumer inflation fell for a second consecutive month to 5.1% year-on-year in December.

The South African Reserve Bank (SARB) on Thursday kept its key lending rate unchanged, saying it did not yet see a clear disinflation trend that would justify cutting rates. All 20 economists polled by Reuters forecast that the rate would be left unchanged at 8.25%.

Analysts at Nedbank echoed sentiments shared by central bank governor Lesetja Kganyago that the SARB would maintain a hawkish tone until inflation edged closer to its preferred target of 4.5%. "The upside risks to the inflation outlook... emanating from a vulnerable rand and rising geopolitical tensions will drive the SARB to adopt a 'wait and see' approach before commencing its cutting cycle," the analysts said in a research note.

Producer price inflation for December slowed to 4.0% year-on-year in December from 4.6% in November, statistics agency data earlier in the day showed.

On the stock exchange, the blue-chip Top-40 index closed more than 0.5% lower. South Africa's benchmark 2030 government bond was little changed, with the yield down 0.2 basis point at 9.748%.

Source: Thomson Reuters Refinitiv

What do you hang on the walls of your mind?

Eve Arnold

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)					26 January 2024
Money Market TB Rates %		**Last close**	**Difference**	**Prev close**	**Current Spot**
3 months	⬇	8.82	-0.008	8.83	8.82
6 months	➡	8.88	0.000	8.88	8.88
9 months	⬇	8.90	-0.008	8.91	8.90
12 months	⬇	8.92	-0.008	8.93	8.92
Nominal Bond Yields %		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC24 (Coupon 10.50%, BMK R186)	⬇	8.91	-0.015	8.93	8.91
GC25 (Coupon 8.50%, BMK R186)	⬇	9.00	-0.015	9.02	9.00
GC26 (Coupon 8.50%, BMK R186)	⬇	9.00	-0.015	9.02	9.00
GC27 (Coupon 8.00%, BMK R186)	⬇	9.12	-0.015	9.14	9.12
GC28 (Coupon 8.50%, BMK R2030)	➡	9.28	0.000	9.28	9.28
GC30 (Coupon 8.00%, BMK R2030)	➡	9.32	0.000	9.32	9.32
GC32 (Coupon 9.00%, BMK R213)	⬆	9.83	0.020	9.81	9.83
GC35 (Coupon 9.50%, BMK R209)	⬇	10.87	-0.005	10.87	10.90
GC37 (Coupon 9.50%, BMK R2037)	➡	12.06	0.000	12.06	12.09
GC40 (Coupon 9.80%, BMK R214)	⬆	12.23	0.005	12.22	12.25
GC43 (Coupon 10.00%, BMK R2044)	⬆	12.42	0.025	12.39	12.43
GC45 (Coupon 9.85%, BMK R2044)	⬆	12.25	0.025	12.22	12.26
GC48 (Coupon 10.00%, BMK R2048)	⬆	12.36	0.025	12.34	12.37
GC50 (Coupon 10.25%, BMK: R2048)	⬆	12.09	0.025	12.07	12.10
Inflation-Linked Bond Yields %		**Last close**	**Difference**	**Prev close**	**Current Spot**
GI25 (Coupon 3.80%, BMK NCPI)	➡	4.40	0.000	4.40	4.40
GI27 (Coupon 4.00%, BMK NCPI)	➡	4.70	0.000	4.70	4.66
GI29 (Coupon 4.50%, BMK NCPI)	➡	5.13	0.000	5.13	5.09
GI33 (Coupon 4.50%, BMK NCPI)	➡	5.79	0.000	5.79	5.75
GI36 (Coupon 4.80%, BMK NCPI)	➡	6.13	0.000	6.13	5.98
Commodities		**Last close**	**Change**	**Prev close**	**Current Spot**
Gold	⬆	2,020	0.36%	2,013	2,021
Platinum	⬇	892	-0.82%	899	894
Brent Crude	⬆	82.4	2.99%	80.0	82.1
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	⬇	1,543	-1.26%	1,563	1,543
JSE All Share	⬇	74,041	-0.38%	74,320	74,041
SP500	⬆	4,894	0.53%	4,869	4,894
FTSE 100	⬆	7,530	0.03%	7,528	7,530
Hangseng	⬆	16,212	1.96%	15,900	16,108
DAX	⬆	16,907	0.10%	16,890	16,907
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	⬇	17,147	-0.87%	17,297	17,147
Resources	⬇	53,024	-0.49%	53,284	53,024
Industrials	⬆	102,513	0.02%	102,489	102,513
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	⬇	18.86	-0.11%	18.88	18.86
N$/Pound	⬇	23.96	-0.24%	24.02	23.95
N$/Euro	⬇	20.45	-0.45%	20.54	20.44
US dollar/ Euro	⬇	1.085	-0.34%	1.088	1.084
		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
		Dec 23	**Nov 23**	**Dec 23**	**Nov 23**
Inflation	⬇	5.3	5.7	5.1	5.5

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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