

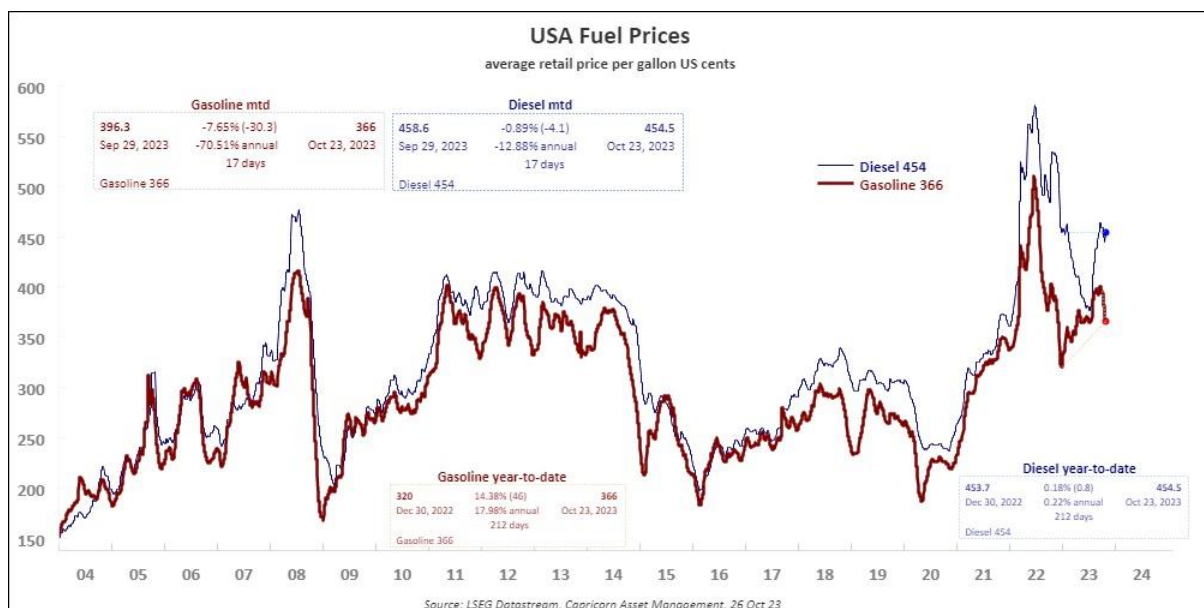
The Daily Brief



Capricorn Asset Management

Market Update

Thursday, 26 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.

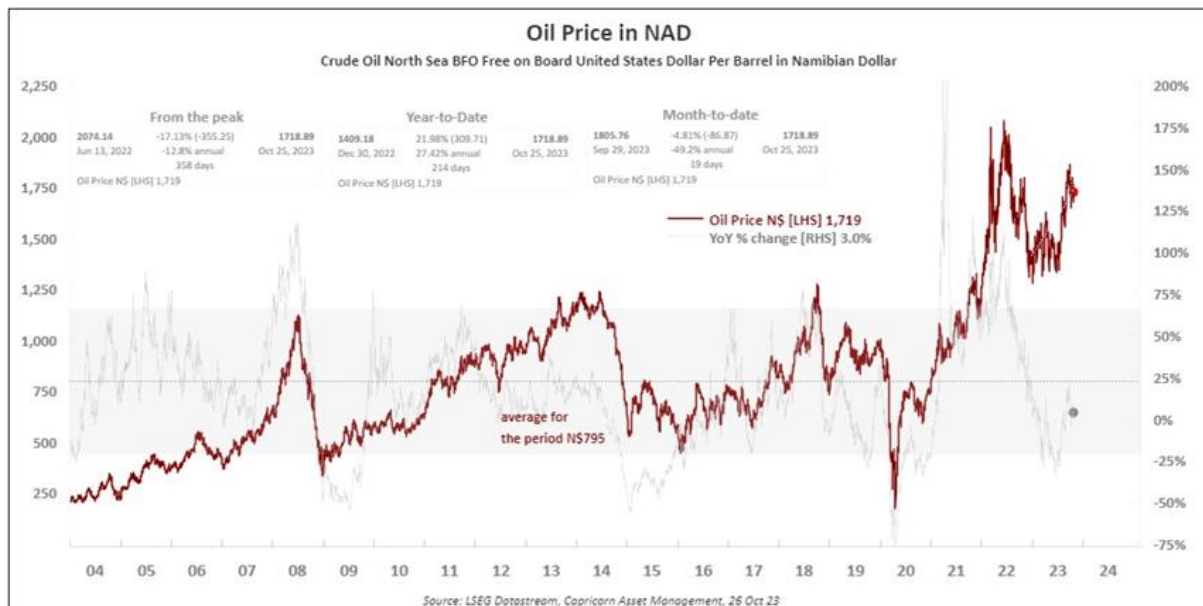
Mega caps Microsoft, Alphabet, Amazon and Meta Platforms are all reporting. IBM and Intel are also on the docket. Profits should be supported by the strength of consumer demand with figures on U.S. gross domestic product this week expected to show annualised growth of a heady 4.2% in the third quarter, 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

South Africa's rand edged lower against a stronger dollar on Wednesday, taking global direction in the absence of local data. At 1630 GMT, the rand traded at 19.0850 against the dollar, 0.3% weaker than its previous close.

The dollar rose more than 0.1% against a basket of global currencies as investor appetite for riskier currencies faded after lacklustre corporate results, and as Treasury yields rose. "There are new and meaningful two-way pressures on, but it seems happy at around or just over the 19.00 level...", said Rand Merchant Bank analysts in a morning briefing. On Thursday, the investor focus will turn to producer price inflation figures, which could give clues on the health of the South African economy.

Shares on the Johannesburg Stock Exchange fell, with the blue-chip Top-40 index closing 0.45% lower. South Africa's benchmark 2030 government bond was stronger in late deals, with the yield down 4.5 basis points to 10.630%.

Source: Thomson Reuters Refinitiv

Wilderness is not a luxury but a necessity of the human spirit.

Edward Abbey

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				26 October 2023	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	➡	8.46	0.000	8.46	8.46
6 months	⬇	8.59	-0.008	8.60	8.59
9 months	⬇	8.67	-0.016	8.68	8.67
12 months	⬇	8.68	-0.009	8.69	8.68
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	⬆	8.52	0.010	8.51	8.61
GC25 (Coupon 8.50%, BMK R186)	⬆	9.33	0.010	9.32	9.42
GC26 (Coupon 8.50%, BMK R186)	⬆	8.64	0.010	8.63	8.73
GC27 (Coupon 8.00%, BMK R186)	⬆	9.16	0.010	9.15	9.25
GC28 (Coupon 8.50%, BMK R2030)	⬇	9.65	-0.045	9.70	9.74
GC30 (Coupon 8.00%, BMK R2030)	⬇	10.19	-0.045	10.24	10.28
GC32 (Coupon 9.00%, BMK R213)	⬇	10.86	-0.045	10.90	10.95
GC35 (Coupon 9.50%, BMK R209)	⬇	11.43	-0.065	11.50	11.52
GC37 (Coupon 9.50%, BMK R2037)	⬇	12.28	-0.060	12.34	12.37
GC40 (Coupon 9.80%, BMK R214)	⬇	12.15	-0.070	12.22	12.24
GC43 (Coupon 10.00%, BMK R2044)	⬇	12.24	-0.070	12.31	12.33
GC45 (Coupon 9.85%, BMK R2044)	⬇	12.76	-0.070	12.83	12.85
GC48 (Coupon 10.00%, BMK R2048)	⬇	12.75	-0.075	12.83	12.84
GC50 (Coupon 10.25%, BMK: R2048)	⬇	12.60	-0.075	12.68	12.69
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)	➡	4.71	0.000	4.71	4.71
GI29 (Coupon 4.50%, BMK NCPI)	➡	5.20	0.000	5.20	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
Commodities		Last close	Change	Prev close	Current Spot
Gold	⬆	1,980	0.48%	1,970	1,987
Platinum	⬆	903	2.08%	884	901
Brent Crude	⬆	90.1	2.34%	88.1	89.9
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬇	1,517	-0.06%	1,518	1,517
JSE All Share	⬇	70,274	-0.43%	70,578	70,274
SP500	⬇	4,187	-1.43%	4,248	4,187
FTSE 100	⬆	7,414	0.33%	7,390	7,414
Hangseng	⬆	17,085	0.55%	16,992	16,950
DAX	⬆	14,892	0.08%	14,880	14,892
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬇	15,695	-0.24%	15,733	15,695
Resources	⬇	55,949	-0.42%	56,186	55,949
Industrials	⬇	94,536	-0.55%	95,057	94,536
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬆	19.11	0.49%	19.02	19.19
N\$/Pound	⬆	23.14	0.07%	23.13	23.19
N\$/Euro	⬆	20.19	0.25%	20.14	20.24
US dollar/ Euro	⬇	1.056	-0.24%	1.059	1.055
		Namibia		RSA	
Interest Rates & Inflation		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

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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