

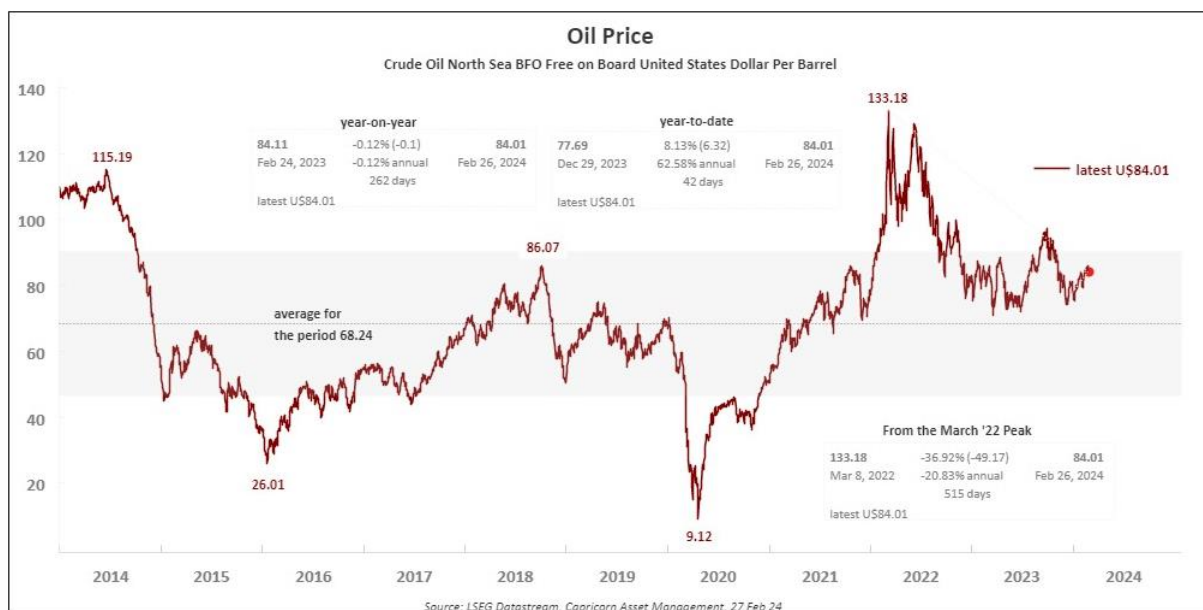
# The Daily Brief



Capricorn Asset Management

## Market Update

Tuesday, 27 February 2024



## Global Markets

A global equities index fell slightly on Monday after hitting record highs last week, as investors took a breather ahead of the next batch of U.S. economic data, while oil prices rallied on concerns about shipping disruptions. U.S. Treasury yields rose after an auction while the dollar fell slightly against a basket of currencies including the euro although it gained ground slightly against the yen.

On Monday sales of new U.S. single-family homes rose less than expected in January amid a sharp decline in the South region, but demand for new construction remained underpinned by a persistent shortage of previously owned homes. In addition, Dallas Federal Reserve manufacturing data was positive. "The resiliency of the economy is shining through here. What that means is maybe that rates stay a little higher for longer," said Matt Stucky, chief portfolio manager for equities at Northwestern Mutual Wealth Management.

Investors are waiting for data on U.S. durable goods orders due out on Tuesday and the U.S. Federal Reserve's favoured measure of inflation - the core personal consumption expenditures (PCE) price index - is due on Thursday. "The PCE price inflation index (is) expected to show a little bit more inflation, in line with the numbers that we saw with the CPI and PPI, so the markets are bracing for that," said Peter Cardillo, chief market economist at Spartan Capital Securities, referring to readings

of the consumer price index and the producer price index. The data will provide the next test for investors, who have had to rethink their bets on central bank rate cuts in recent weeks, surprised by strong U.S. job growth and inflation. Investors were also watching the risk that U.S. government agencies could be shut down if Congress cannot agree on a borrowing extension by Friday.

On Monday the Dow Jones Industrial Average fell 62.30 points, or 0.16%, to 39,069.23 while the S&P 500 dropped 19.27 points, or 0.38%, to 5,069.53 and the Nasdaq Composite lost 20.57 points, or 0.13%, to finish at 15,976.25. The U.S. stock market had risen to record highs last week with help from a bullish financial update from AI pioneer Nvidia. MSCI's gauge of stocks across the globe fell 1.97 points, or 0.26%, to 759.21. The STOXX 600 index had closed down 0.37%. Commodity-linked stocks put pressure on European indexes on Monday after the STOXX 600 hit record highs last week as comments from ECB policymakers had prompted optimism over rate cuts on Friday.

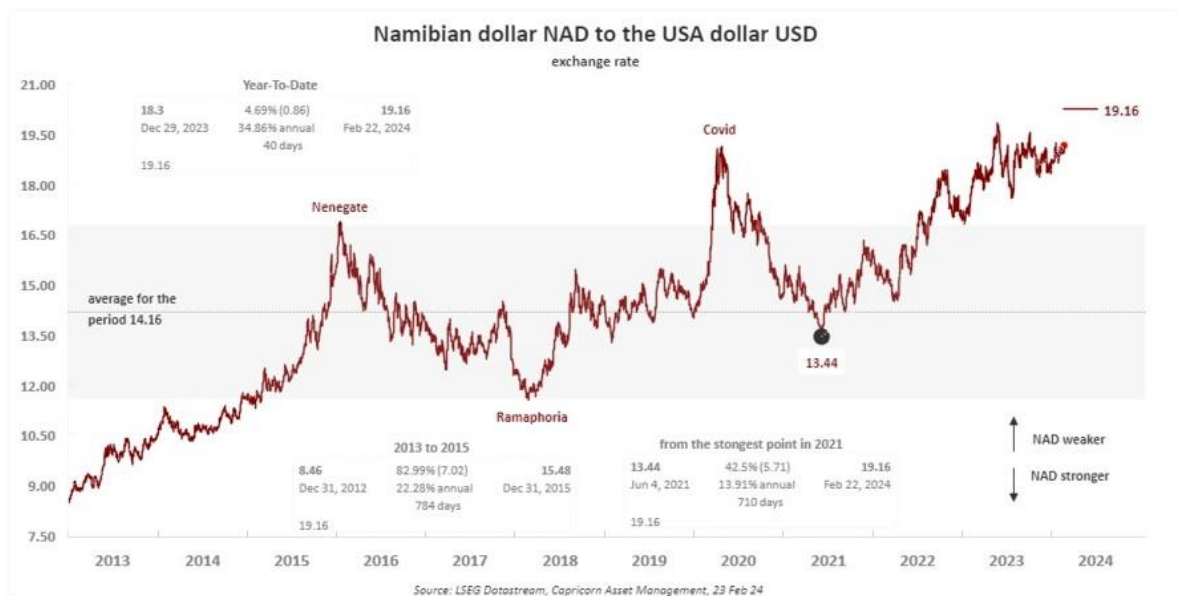
Japan's blue-chip Nikkei scaled record highs for the second consecutive trading session, supported by upbeat performances in pharmaceuticals, although profit-taking limited momentum. The Nikkei closed up 135.03 points, or 0.35%, to 39,233.71. But MSCI's broadest index of Asia-Pacific shares outside Japan closed 0.43% lower 0.43%, at 526.50.

U.S. Treasury yields rose on Monday as investors sought a higher premium for taking on a record \$127 billion in government coupon debt at two auctions that suggested demand was a bit weak ahead of key inflation data later in the week. The yield on benchmark U.S. 10-year notes rose 1.7 basis points from 4.26% late on Friday while the 30-year bond yield rose 1.4 basis points to 4.3942% from 4.38%. The 2-year note yield, which typically moves in step with interest rate expectations, rose 3.2 basis points to 4.7225%, from 4.69% late on Friday.

In currencies, the dollar index edged down ahead of U.S. durable goods orders and the inflation reading. The dollar index fell 0.19% to 103.77, with the euro up 0.29% at 1.085. Against the Japanese yen, the dollar strengthened 0.12% to 150.68 ahead of Japanese inflation data due on Tuesday, forecast to slow to 1.8%. That could add to the case against policy-tightening by the Bank of Japan, the holdout dove among developed market central banks.

In commodities, oil prices gained on Monday as European diesel demand, constrained by Russian sanctions and shipping disruptions, pulled prices higher in a market jittery with U.S. refinery output limited by planned overhauls, analysts said. U.S. crude settled up 1.43% at \$77.58 a barrel and Brent finished at \$82.53 per barrel, up 1.11%. Spot lost 0.2% to \$2,031.55 an ounce. U.S. gold futures fell 0.68% to \$2,024.80 an ounce. Copper lost 1.38% to \$8,449.00 a tonne.

**Source: Thomson Reuters Refinitiv**



## Domestic Markets

South Africa's rand continued its downward slide for another session on Monday, with analysts citing the negative impact of the 2024 national budget on investor sentiment. At 1602 GMT, the rand traded at 19.3225 against the dollar, 0.16% weaker than its previous close.

The currency also weakened on Thursday and on Friday as the market digested the finance minister's budget speech last week. In it, the minister said the government would draw down 150 billion rand (\$7.76 billion) from contingency reserves at the central bank over the next three years to limit rising debt, but offered little in the way of broad structural reforms. "The negative mood post the budget speech persists and the risk for further weakness in the short term remains," Andre Cilliers, currency strategist at TreasuryONE, said in a note. This week, investors will be monitoring trade and budget balance data, producer inflation and private sector credit figures.

On the stock market, the Top-40 and the broader all-share indexes closed around 0.8% lower. Shares in Sasol fell 2% after the petrochemical firm reported a decline in half-year profit. South Africa's benchmark 2030 government bond was weaker, with the yield rising 10.5 basis points to 10.240%.

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**Source: Thomson Reuters Refinitiv**

I believe that every human mind feels pleasure in doing good to another.

Thomas Jefferson



## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				27 February 2024	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	⇒	8.79	0.000	8.79	8.79
6 months	⇒	8.85	0.000	8.85	8.85
9 months	↑	8.93	0.033	8.90	8.93
12 months	↑	8.98	0.050	8.93	8.98
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	↑	9.21	0.100	9.11	9.22
GC25 (Coupon 8.50%, BMK R186)	↑	9.30	0.100	9.20	9.31
GC26 (Coupon 8.50%, BMK R186)	↑	9.30	0.100	9.20	9.31
GC27 (Coupon 8.00%, BMK R186)	↑	9.42	0.100	9.32	9.43
GC28 (Coupon 8.50%, BMK R2030)	↑	9.76	0.090	9.67	9.77
GC30 (Coupon 8.00%, BMK R2030)	↑	9.80	0.090	9.71	9.81
GC32 (Coupon 9.00%, BMK R213)	↑	10.29	0.090	10.20	10.29
GC35 (Coupon 9.50%, BMK R209)	↑	11.28	0.095	11.19	11.29
GC37 (Coupon 9.50%, BMK R2037)	↑	12.47	0.100	12.37	12.49
GC40 (Coupon 9.80%, BMK R214)	↑	12.61	0.105	12.51	12.58
GC43 (Coupon 10.00%, BMK R2044)	↑	12.80	0.115	12.69	12.82
GC45 (Coupon 9.85%, BMK R2044)	↑	12.63	0.115	12.52	12.65
GC48 (Coupon 10.00%, BMK R2048)	↑	12.75	0.105	12.65	12.77
GC50 (Coupon 10.25%, BMK: R2048)	↑	12.48	0.105	12.38	12.50
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	⇒	3.90	0.000	3.90	3.90
GI27 (Coupon 4.00%, BMK NCPI)	⇒	4.60	0.000	4.60	4.60
GI29 (Coupon 4.50%, BMK NCPI)	⇒	5.03	0.000	5.03	5.03
GI33 (Coupon 4.50%, BMK NCPI)	⇒	5.69	0.000	5.69	5.69
GI36 (Coupon 4.80%, BMK NCPI)	⇒	5.99	0.000	5.99	5.99
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	2,031	-0.25%	2,036	2,033
Platinum	↓	880	-2.28%	901	882
Brent Crude	↑	82.5	1.11%	81.6	82.5
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⇒	1,551	0.00%	1,551	1,551
JSE All Share	↓	73,621	-0.80%	74,213	73,621
SP500	↓	5,070	-0.38%	5,089	5,070
FTSE 100	↓	7,684	-0.29%	7,706	7,684
Hangseng	↓	16,635	-0.54%	16,726	16,574
DAX	↑	17,423	0.02%	17,419	17,423
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	17,337	-0.93%	17,500	17,337
Resources	↓	50,058	-1.76%	50,952	50,058
Industrials	↓	104,343	-0.17%	104,523	104,343
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	19.29	-0.09%	19.31	19.29
N\$/Pound	↓	24.47	-0.01%	24.47	24.46
N\$/Euro	↑	20.93	0.19%	20.89	20.93
US dollar/ Euro	↑	1.085	0.27%	1.082	1.085
Interest Rates & Inflation		Namibia		RSA	
		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
		Jan 24	Dec 23	Jan 24	Dec 23
Inflation	↑	5.4	5.3	5.3	5.1

#### 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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