

# The Daily Brief



Capricorn Asset Management

Market Update

Monday, 27 November 2023



## Global Markets

Asian shares slipped on Monday ahead of potentially market-moving inflation data from the United States and Europe later in the week, and a meeting of oil producers that could stop, or extend, the recent slide in prices. One mover was gold, which climbed to \$2,009 an ounce and briefly hit a six-month top of \$2,017.82. The approach of month end could also cause some caution given the hefty gains investors are sitting on. Japan's Nikkei eased 0.3%, but it is still up 8.6% so far in November.

MSCI's broadest index of Asia-Pacific shares outside Japan also dipped 0.3%, giving it a monthly gain of 6.4%. Chinese blue chips lost another 1.1%, and have missed out on all the global cheer with the market down 2% in November so far. China's central banks announced it would encourage financial institutions to support private companies, but was short on detail. EUROSTOXX 50 futures eased 0.2%, while FTSE futures fell 0.1%. S&P 500 futures eased 0.2%, and Nasdaq futures lost 0.4%. The S&P 500 cash index has rallied for four weeks straight and is up 8.7% on the month so far, which would be its best performance since mid-2022.

The Federal Reserve's favoured measure of inflation is due on Thursday and is expected to slow to its lowest since mid-2021, reinforcing market wagers that the next move in rates will be down. Fed Chair Jerome Powell will have a chance to push back against the doves at a Fireside Chat on Friday,

and there are at least seven other Fed speakers on the docket this week. "A view we hold strongly is that central banks are unlikely to deliver easing in the first half of 2024 absent a threat to the expansion or financial stability," argues Bruce Kasman, head of global economics at JPMorgan. "Indeed, this message of patience is likely to be notable in upcoming DM policy communications in response to recent financial market developments."

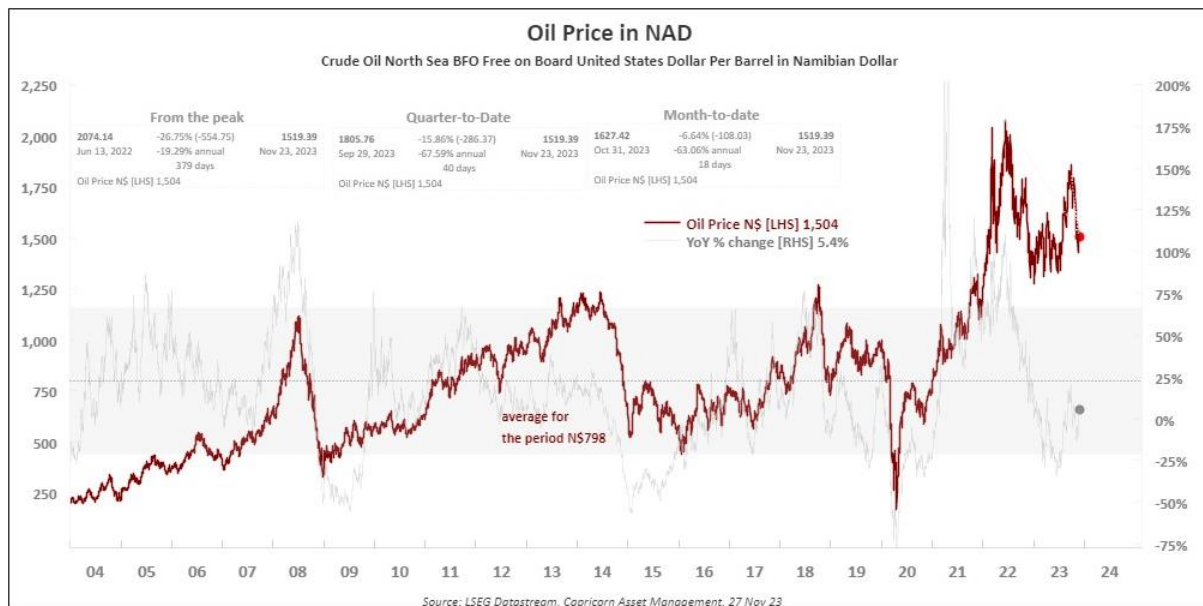
European Central Bank President Christine Lagarde has also sounded in no hurry to ease and will have another opportunity to ram home the message at the EU parliament later on Monday. Data on EU consumer prices for November is due Thursday and is expected to show a cooling in both the headline and core rates, which would support market pricing for cuts.

Markets priced in 80 basis points of U.S. easing next year, and around 82 basis points for the ECB. The chance of an easing in borrowing costs has generated a big rally in bonds, with yields on 10-year Treasuries down 36 basis points so far this month at 4.50%. That in turn has been a drag on the dollar which has lost 3% on a basket of major counterparts this month. The euro was up at \$1.0940 on Monday, not far from its recent four-month high of \$1.0965, while the dollar softened to 149.23 yen. A run of firmer official fixes for the Chinese yuan has also weighed on the dollar against Asian currencies and the Australian dollar.

The oil market faces a tense few days ahead of a meeting of OPEC+ on Nov. 30, a meeting that had originally been slated for Sunday but was postponed as producers struggled to find a unanimous position. Reports suggest African oil producers are seeking higher caps for 2024, while Saudi Arabia may extend its additional 1 million bpd voluntary production cut, which is due to expire at the end of December.

"Saudi Arabia and OPEC+ faces a challenge in convincing markets that it can help keep oil markets tight in 2024," wrote commodity analysts at CBA in a note. "OPEC+ will have to show significant supply discipline, or at least jawbone such ability, to alleviate market worries of a deep surplus in oil markets next year." The uncertainty erased early gains and Brent edged down 31 cents to \$80.27 a barrel, while U.S. crude lost 31 cents to \$75.23 per barrel.

**Source: Thomson Reuters Refinitiv**



## Domestic Markets

The South African rand weakened on Friday, giving back some gains from the previous session when the central bank kept its main interest rate unchanged. At 1544 GMT, the rand traded at 18.8550 against the dollar 0.19% weaker than its previous close.

The dollar last traded around 0.4% weaker against a basket of global currencies. South Africa's central bank stuck to its previous hawkish tone on Thursday as it kept its main lending rate unchanged for the third meeting in a row, boosting the rand, despite inflation quickening in October.

"It remains difficult to turn overly optimistic on the rand over the longer term while South Africa continuously faces the destruction of economic activity and efficient infrastructure," ETM Analytics said in a morning note.

Soaring interest rates and steep rises in food, transport and health costs force South Africans to prioritise essentials over luxury at this year's Black Friday sales. Next week investors will turn their attention to supply-side inflation when producer price index data is released.

On the Johannesburg Stock Exchange, the blue-chip Top-40 index closed around 0.5% higher. South Africa's benchmark 2030 government bond was weaker in late deals, with the yield up 7 basis points to 10.195%.

**Source: Thomson Reuters Refinitiv**

Dream as if you'll live forever. Live as if you'll die today.

**James Dean**

## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				27 November 2023	
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	⇒	8.47	0.000	8.47	8.47
6 months	↓	8.59	-0.008	8.60	8.59
9 months	↓	8.62	-0.025	8.65	8.62
12 months	↓	8.55	-0.025	8.57	8.55
<b>Nominal Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC24 (Coupon 10.50%, BMK R186)	↑	8.19	0.030	8.16	8.19
GC25 (Coupon 8.50%, BMK R186)	↑	9.00	0.030	8.97	9.00
GC26 (Coupon 8.50%, BMK R186)	↑	8.31	0.030	8.28	8.31
GC27 (Coupon 8.00%, BMK R186)	↑	8.83	0.030	8.80	8.83
GC28 (Coupon 8.50%, BMK R2030)	↑	9.22	0.070	9.15	9.22
GC30 (Coupon 8.00%, BMK R2030)	↑	9.76	0.070	9.69	9.76
GC32 (Coupon 9.00%, BMK R213)	↑	10.38	0.075	10.30	10.38
GC35 (Coupon 9.50%, BMK R209)	↑	10.98	0.090	10.89	10.98
GC37 (Coupon 9.50%, BMK R2037)	↑	11.80	0.080	11.72	11.80
GC40 (Coupon 9.80%, BMK R214)	↑	11.73	0.100	11.63	11.73
GC43 (Coupon 10.00%, BMK R2044)	↑	11.76	0.105	11.65	11.76
GC45 (Coupon 9.85%, BMK R2044)	↑	12.28	0.105	12.17	12.28
GC48 (Coupon 10.00%, BMK R2048)	↑	12.27	0.105	12.16	12.27
GC50 (Coupon 10.25%, BMK: R2048)	↑	12.12	0.105	12.01	12.12
<b>Inflation-Linked Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GI25 (Coupon 3.80%, BMK NCPI)	⇒	3.20	0.000	3.20	3.20
GI27 (Coupon 4.00%, BMK NCPI)	↑	4.74	0.005	4.74	4.74
GI29 (Coupon 4.50%, BMK NCPI)	↓	5.17	-0.007	5.18	5.17
GI33 (Coupon 4.50%, BMK NCPI)	↓	5.77	-0.036	5.81	5.77
GI36 (Coupon 4.80%, BMK NCPI)	↓	6.13	-0.047	6.18	6.13
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↑	2,002	0.51%	1,992	2,012
Platinum	↑	931	1.64%	916	930
Brent Crude	↓	80.6	-1.03%	81.4	79.9
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	↑	1,637	0.39%	1,631	1,637
JSE All Share	↑	75,712	0.36%	75,439	75,712
SP500	↑	4,559	0.06%	4,557	4,559
FTSE 100	↑	7,488	0.06%	7,484	7,488
Hangseng	↓	17,559	-1.96%	17,911	17,447
DAX	↑	16,029	0.22%	15,995	16,029
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↑	17,185	1.21%	16,980	17,185
Resources	↑	57,186	0.18%	57,082	57,186
Industrials	↓	104,274	-0.02%	104,297	104,274
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↓	18.77	-0.21%	18.81	18.81
N\$/Pound	↑	23.65	0.35%	23.57	23.72
N\$/Euro	↑	20.53	0.11%	20.51	20.59
US dollar/ Euro	↑	1.094	0.32%	1.090	1.095
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>Oct 23</b>	<b>Sep 23</b>	<b>Oct 23</b>	<b>Sep 23</b>
Central Bank Rate	⇒	7.75	7.75	8.25	8.25
Prime Rate	⇒	11.50	11.50	11.75	11.75
		<b>Oct 23</b>	<b>Sep 23</b>	<b>Oct 23</b>	<b>Sep 23</b>
Inflation	↑	6.0	5.4	5.9	5.4



#### 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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