

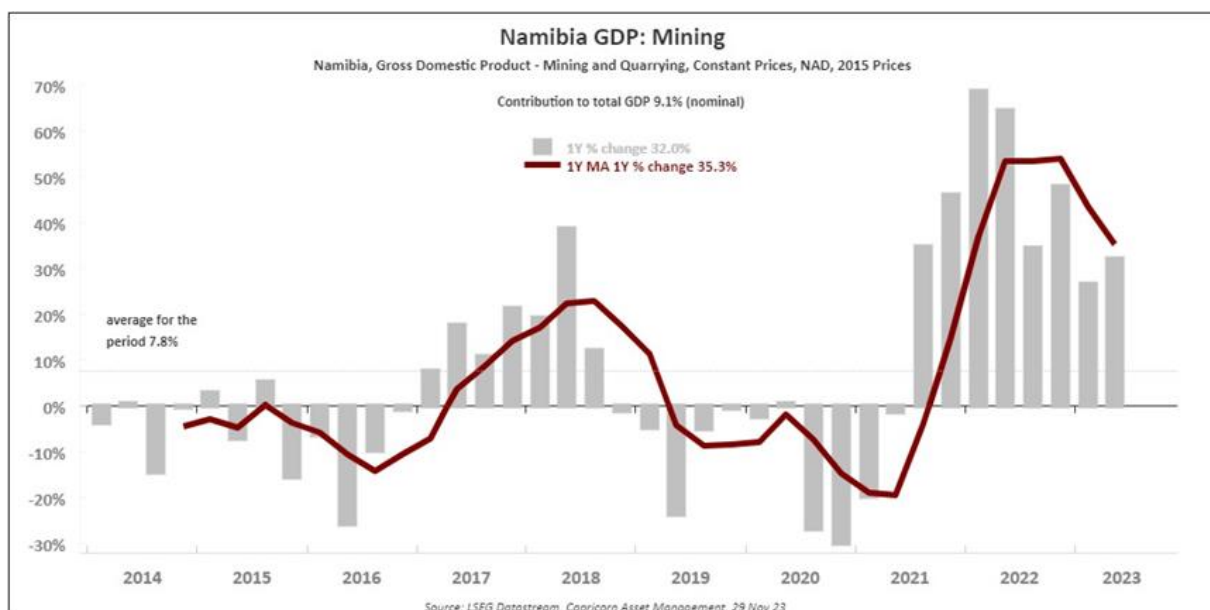
## The Daily Brief



Capricorn Asset Management

Market Update

Wednesday, 29 November 2023



## Global Markets

Asian stocks briefly made one-week highs on Wednesday, bonds rallied and the dollar sank on new hints at U.S. interest rate cuts, while the New Zealand dollar jumped after its central bank said another hike may be necessary if inflation proves stubborn. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.5% in early trade before weakness in Hong Kong tech shares dragged it back to flat. Japan's Nikkei fell 0.2%. The New Zealand dollar was last up 1.1% at a four-month high of \$0.6207, having blown past resistance.

The U.S. dollar, meanwhile, slid to fresh multi-month lows on the euro, yen, sterling, the Australian dollar, yuan and Swiss franc. Gold hit a seven-month high above \$2,051 an ounce. Overnight Fed Governor Christopher Waller - an influential and previously hawkish voice at the U.S. central bank - told the American Enterprise Institute that rate cuts could begin in a matter of months, provided inflation keeps falling.

Fed funds futures rallied on the remark to price more than a hundred basis points of cuts in 2024 and 40% chance they begin as soon as March. Two-year Treasury yields fell sharply and along with the dollar fell further still in Asia. "The market clearly moved on Governor Waller's opening up the possibility of cuts," said Tapas Strickland, head of market economics at National Australia Bank in

Sydney. Waller's remark echoed earlier comments made by Fed Chair Jerome Powell. The two-year yield hit its lowest since mid-July at 4.70% and the benchmark 10-year yield fell 4 bps to its lowest since September at 4.30%.

The dollar was last down 0.5% at 146.68 yen, its lowest since Sept. 12 and a drop of nearly 2% in three days. It touched a 3-1/2 month low at \$1.1017 per euro. Waller said that if the decline in inflation continues, "for several more months ... three months, four months, five months ... we could start lowering the policy rate just because inflation is lower." "There is no reason to say we will keep it really high," he said. Waller's remarks extended what has been a two-week rally in stocks and bonds around the world since a benign U.S. inflation report two weeks ago, except in China where doubts about the economy have investors decidedly downbeat.

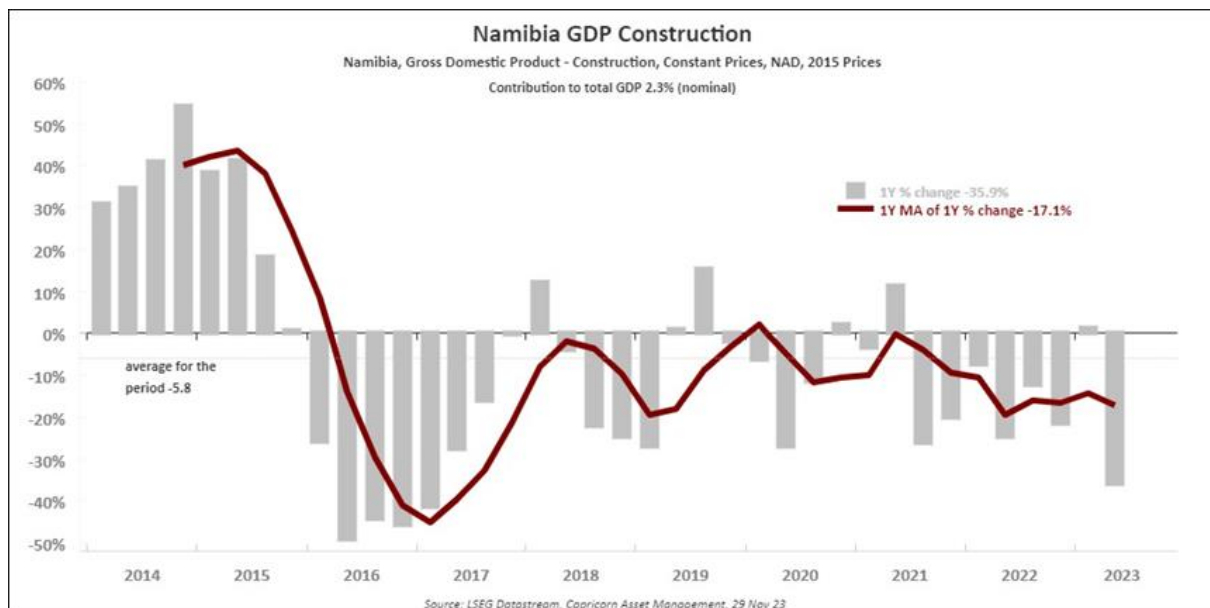
Global stocks are up almost 9% in November and are tracking toward their best month in three years. The Hang Seng is flat and hasn't posted a positive month since July. The latest negative news came from Meituan which flagged slowing fourth-quarter growth for its mainstay food delivery business. Shares fell 8% to a 3-1/2 year low on Wednesday, despite the company promising a \$1 billion buyback.

The Hang Seng fell 0.9% on Wednesday. Mainland blue chips fell 0.4% and are heading for a fourth monthly decline in a row with a 1.9% fall in November. Some analysts are also wary that markets have run with parts of Fed officials' remarks -- flagging possible rate cuts -- even though the comments have been conditional on further declines in inflation and on financial conditions staying restrictive.

New Zealand sounded something of a warning note on Wednesday when the central bank slightly lifted its interest rate projections and warned hikes may not be over. "Bets ought to be guided by conditionality that policy is appropriately tight, not indulged with abandon on over-confidence that Fed is done (premised on linear projections of dis-inflation)," said Mizuho economist Vishnu Varathan.

Elsewhere Australian inflation eased by more than expected. In commodities, Brent crude futures steadied to \$81.75 a barrel but were set for a monthly drop, while Singapore iron ore futures are up 9.6% in November at \$130.50 a tonne.

**Source: Thomson Reuters Refinitiv**



## Domestic Markets

The South African rand was stable on Tuesday, supported by the conviction among global investors that the U.S. Federal Reserve will not raise interest rates again. At 1606 GMT, the rand traded at 18.6500 against the dollar, the same level as its previous close. The dollar was last trading down 0.3% against a basket of major currencies and on track for a loss of more than 3% in November, its worst performance in a year. In the absence of major local drivers, global market factors were in the driving seat for the rand on Tuesday.

"The local currency was supported by improved risk sentiment and the gold price consolidating above the \$2,000 level," said Andre Cilliers, currency strategist at TreasuryONE. Later this week South Africa-focused investors will turn their attention to October trade, budget, producer inflation and private sector credit figures.

The global focus will be on the Fed's preferred measure of inflation and an OPEC+ policy meeting. On the Johannesburg Stock Exchange, the Top-40 index and the All-share index rose 0.3%. The benchmark 2030 government bond was stronger, with the yield down 12 basis points to 10.025%.

**Source: Thomson Reuters Refinitiv**

Never believe that a few caring people can't change the world. For, indeed, that's all who ever have.

**Margaret Mead**

## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				29 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	⬇	8.60	-0.025	8.62	8.60
12 months	⬇	8.52	-0.050	8.57	8.52
<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)	⬇	8.04	-0.080	8.12	8.04
GC25 (Coupon 8.50%, BMK R186)	⬇	8.84	-0.080	8.92	8.84
GC26 (Coupon 8.50%, BMK R186)	⬇	8.15	-0.080	8.23	8.15
GC27 (Coupon 8.00%, BMK R186)	⬇	8.67	-0.080	8.75	8.67
GC28 (Coupon 8.50%, BMK R2030)	⬇	9.05	-0.120	9.17	9.05
GC30 (Coupon 8.00%, BMK R2030)	⬇	9.59	-0.120	9.71	9.59
GC32 (Coupon 9.00%, BMK R213)	⬇	10.23	-0.110	10.34	10.23
GC35 (Coupon 9.50%, BMK R209)	⬇	10.85	-0.135	10.99	10.85
GC37 (Coupon 9.50%, BMK R2037)	⬇	11.67	-0.130	11.80	11.67
GC40 (Coupon 9.80%, BMK R214)	⬇	11.59	-0.140	11.73	11.59
GC43 (Coupon 10.00%, BMK R2044)	⬇	11.61	-0.135	11.75	11.61
GC45 (Coupon 9.85%, BMK R2044)	⬇	12.13	-0.135	12.27	12.13
GC48 (Coupon 10.00%, BMK R2048)	⬇	12.12	-0.135	12.26	12.12
GC50 (Coupon 10.25%, BMK: R2048)	⬇	11.97	-0.135	12.11	11.97
<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	0.000	4.74	4.74
GI29 (Coupon 4.50%, BMK NCPI)	➡	5.17	0.000	5.17	5.17
GI33 (Coupon 4.50%, BMK NCPI)	➡	5.77	0.000	5.77	5.77
GI36 (Coupon 4.80%, BMK NCPI)	➡	6.13	0.000	6.13	6.13
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	⬆	2,041	1.35%	2,014	2,044
Platinum	⬆	940	2.31%	919	937
Brent Crude	⬆	81.7	2.13%	80.0	81.6
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	⬆	1,627	0.11%	1,625	1,627
JSE All Share	⬆	75,589	0.29%	75,370	75,589
SP500	⬆	4,555	0.10%	4,550	4,555
FTSE 100	⬇	7,455	-0.07%	7,461	7,455
Hangseng	⬇	17,354	-0.98%	17,525	17,010
DAX	⬆	15,993	0.16%	15,966	15,993
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	⬇	17,005	-0.04%	17,012	17,005
Resources	⬆	58,309	1.32%	57,549	58,309
Industrials	⬇	103,214	-0.18%	103,396	103,214
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	⬇	18.59	-0.34%	18.65	18.57
N\$/Pound	⬆	23.60	0.20%	23.55	23.60
N\$/Euro	⬇	20.43	0.00%	20.43	20.42
US dollar/ Euro	⬆	1.099	0.34%	1.095	1.100
		<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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