

The Daily Brief



Capricorn Asset Management

Market Update

Friday, 29 September 2023



Global Markets

Asian shares eased away from their lowest levels in 10 months but were on course to clock their worst quarterly performance in a year as worries over elevated interest rates dragged on sentiment, while the dollar held strong. MSCI's broadest index of Asia-Pacific shares outside Japan was 0.59% higher but not far off the 10-month low it touched on Thursday. The index is set for 5% drop in the July-September period, its worst quarterly performance since a 13.6% drop in the same period last year. Japan's Nikkei was 0.10% lower, while Australia's S&P/ASX 200 index rose 0.21%. Hong Kong's Hang Seng Index was up 0.64%. The Chinese markets were closed for a holiday and are on a break next week. Focus will be on the Chinese property sector after China Evergrande Group said its founder is being investigated over suspected "illegal crimes".

Meanwhile, data showed the U.S. economy maintained a fairly solid pace of growth in the second quarter and activity appears to have accelerated this quarter, but a looming government shutdown and an ongoing strike by auto workers are dimming the outlook for the rest of 2023. "During the most recent Fed press conference, (Fed Chair Jerome) Powell mentioned that while the Fed doesn't target levels of real GDP, it evaluates whether it poses a risk to achieving the 2% inflation target," said Ryan Brandham, head of global capital markets, North America at Validus Risk Management.

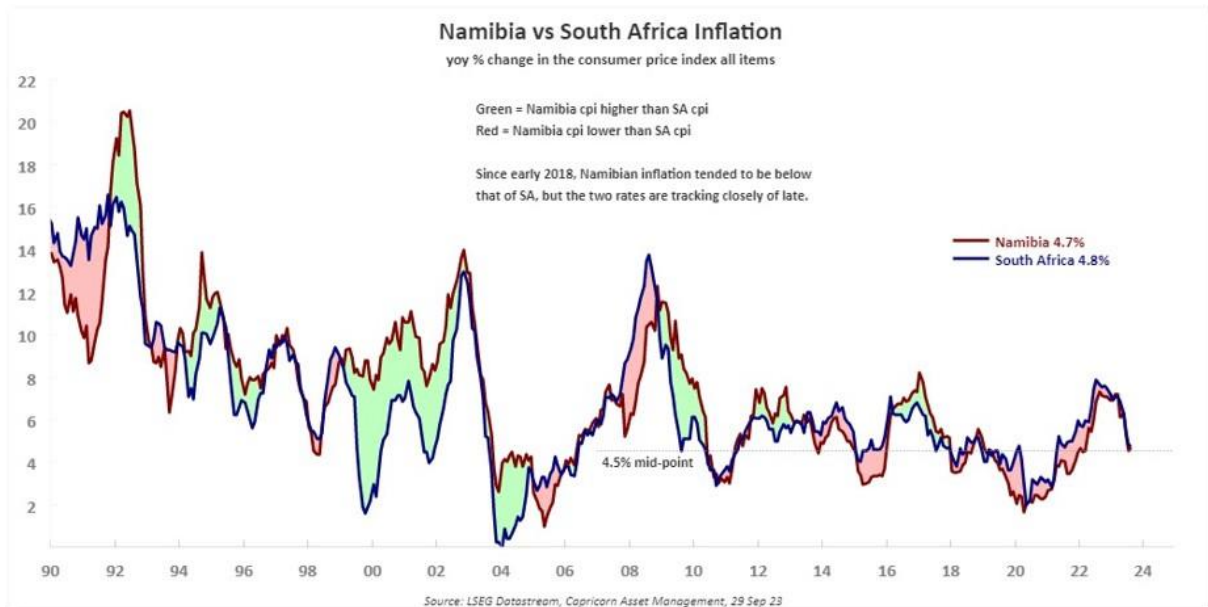
"From this perspective, the current GDP figure is not seen as a significant threat and may provide some comfort in an otherwise concerning inflationary environment."

Investors will now switch their attention to U.S. personal consumption expenditures price index later on Friday for the latest view on inflation. The recent rise in Treasury yields to 16-year highs has cast a shadow over the stock market, with the Federal Reserve's hawkish tilt last week also weighing on risk sentiment.

In Asian hours, the yield on 10-year Treasury notes was down 0.8 basis points to 4.589%, easing away from the fresh 16 year peak of 4.688% it touched on Thursday. Federal Reserve Bank of Richmond President Thomas Barkin said on Thursday the central bank's decision to hold steady on rates earlier this month was the right move, and it's unclear whether more monetary policy changes will be needed in coming months.

In foreign exchange market, the dollar index eased 0.057% to 106.10 but hovered near the 10 month high of 106.84 it touched earlier this week. The index is up 2.4% this month and set for second straight month of gains. The Japanese yen was at 149.33 per dollar, perilously close to the 150 level which is viewed as potentially spurring intervention from Japanese authorities. Core inflation in Japan's capital slowed in September for the third straight month mainly on falling fuel costs, data showed on Friday, suggesting that cost-push pressures are starting to peak, in a relief for the fragile economic recovery.

Oil prices fell in early trade on Friday after a recent rally, as profit-taking and expectations of supply increases by Russia and Saudi Arabia outweighed forecasts of positive demand from China during its Golden Week holiday. U.S. crude was up 0.09% to \$91.79 per barrel and Brent was at \$95.17, down 0.22% on the day. Gold prices were braced for their biggest monthly fall since February, hovering around six-month lows. Spot gold was little changed at \$1,864.70 an ounce.**Source: Thomson Reuters Refinitiv**



Domestic Markets

The South African rand strengthened on Thursday ahead of a slew of local economic data including trade and budget balance, which could give clues on the health of Africa's most industrialised economy. At 1523 GMT, the rand traded at 19.0525 against the dollar, more than 0.7% stronger than its previous close. The dollar last traded around 0.46% weaker against a basket of global currencies. The rand seemed little affected by statistics agency data released earlier on Thursday, which showed South Africa's producer inflation quickened to 4.3% year-on-year in August from 2.7% in July.

Meanwhile, the South African Reserve Bank said in its Quarterly Bulletin that the country recorded foreign direct investment inflows of 53.8 billion rand (\$2.8 billion) in the second quarter, up from 0.5 billion rand in the first quarter. The central bank said the acquisition of a domestic beverage company by a nonresident firm contributed to the increase.

Local investors will turn towards August money supply and private sector credit growth, trade and budget balance figures due on Friday for fresh direction. Shares on the Johannesburg Stock Exchange rose slightly, with the blue-chip Top-40 index ending nearly 0.5% higher. South Africa's benchmark 2030 government bond slipped, with the yield up 21 basis points to 11.040%.

Source: Thomson Reuters Refinitiv

Believe you can and you're halfway there.

Theodore Roosevelt

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				29 September 2023	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	⇒	8.23	0.000	8.23	8.23
6 months	⇒	8.75	0.000	8.75	8.75
9 months	↑	8.93	0.025	8.91	8.93
12 months	↑	9.06	0.033	9.03	9.06
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	↑	9.84	0.205	9.64	9.81
GC25 (Coupon 8.50%, BMK R186)	↑	9.66	0.205	9.46	9.63
GC26 (Coupon 8.50%, BMK R186)	↑	9.57	0.205	9.37	9.54
GC27 (Coupon 8.00%, BMK R186)	↑	10.04	0.205	9.84	10.01
GC28 (Coupon 8.50%, BMK R2030)	↑	10.64	0.210	10.43	10.61
GC30 (Coupon 8.00%, BMK R2030)	↑	10.96	0.210	10.75	10.93
GC32 (Coupon 9.00%, BMK R213)	↑	11.14	0.210	10.93	11.11
GC35 (Coupon 9.50%, BMK R209)	↑	12.12	0.190	11.93	12.09
GC37 (Coupon 9.50%, BMK R2037)	↑	12.70	0.190	12.51	12.67
GC40 (Coupon 9.80%, BMK R214)	↑	13.11	0.170	12.94	13.08
GC43 (Coupon 10.00%, BMK R2044)	↑	13.10	0.170	12.93	13.07
GC45 (Coupon 9.85%, BMK R2044)	↑	13.50	0.170	13.33	13.47
GC48 (Coupon 10.00%, BMK R2048)	↑	13.59	0.165	13.43	13.56
GC50 (Coupon 10.25%, BMK: R2048)	↑	13.68	0.165	13.52	13.65
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)	⇒	4.44	0.000	4.44	4.44
GI29 (Coupon 4.50%, BMK NCPI)	⇒	5.09	0.000	5.09	5.09
GI33 (Coupon 4.50%, BMK NCPI)	⇒	5.58	0.000	5.58	5.58
GI36 (Coupon 4.80%, BMK NCPI)	⇒	5.98	0.000	5.98	5.98
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,865	-0.54%	1,875	1,865
Platinum	↑	905	1.95%	887	913
Brent Crude	↓	95.4	-1.21%	96.6	95.1
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,580	1.01%	1,564	1,580
JSE All Share	↑	72,506	0.46%	72,174	72,506
SP500	↑	4,300	0.59%	4,275	4,300
FTSE 100	↑	7,602	0.11%	7,593	7,602
Hangseng	↓	17,373	-1.36%	17,612	17,834
DAX	↑	15,324	0.70%	15,217	15,324
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	16,243	0.21%	16,209	16,243
Resources	↑	57,727	1.62%	56,806	57,727
Industrials	↓	98,141	-0.12%	98,256	98,141
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	19.10	-0.21%	19.14	18.94
N\$/Pound	↑	23.30	0.31%	23.22	23.15
N\$/Euro	↑	20.17	0.35%	20.10	20.04
US dollar/ Euro	↑	1.056	0.56%	1.050	1.058
		Namibia		RSA	
Interest Rates & Inflation		Aug 23	Jul 23	Aug 23	Jul 23
Central Bank Rate	⇒	7.75	7.75	8.25	8.25
Prime Rate	⇒	11.50	11.50	11.75	11.75
		Aug 23	Jul 23	Aug 23	Jul 23
Inflation	↑	4.7	4.5	4.8	4.7

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.



Capricorn Asset Management



Bank Windhoek

For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na

Disclaimer

The information contained in this note is the property of Capricorn Asset Management (CAM). The information contained herein has been obtained from sources and persons whom the writer believes to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute the writer's judgement as of the date of this material and are subject to change without notice. This note is provided for informational purposes only and may not be reproduced in any way without the explicit permission of CAM.

A member of  **Capricorn Group**
