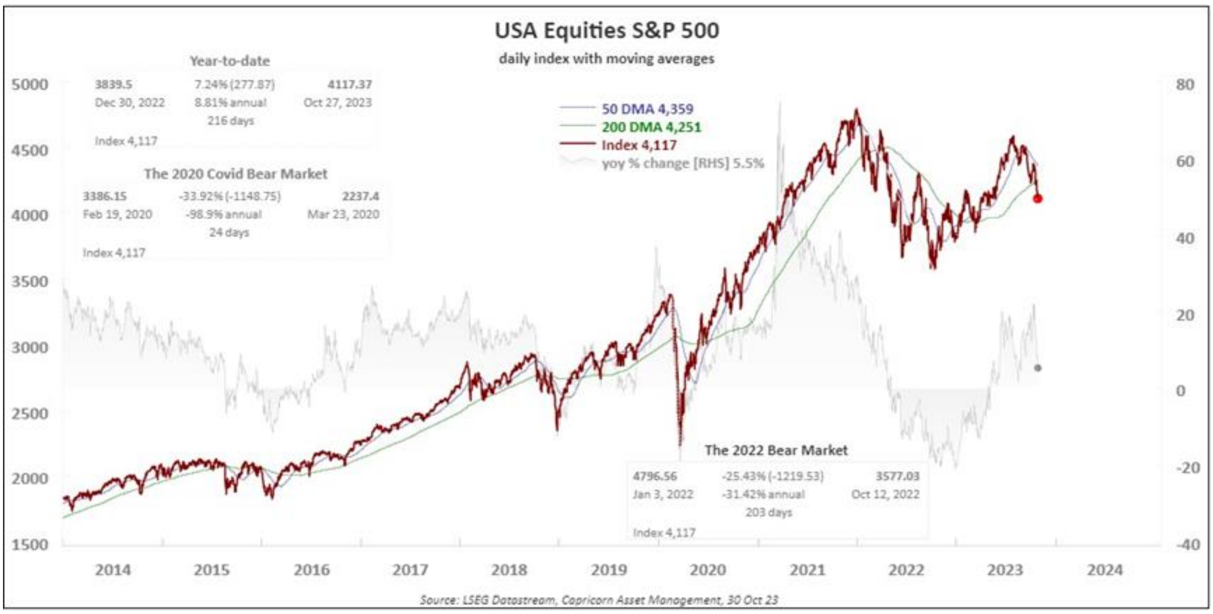
Market Update

Monday, 30 October 2023



Global Markets

Asian share markets were mixed on Monday as Israel's push into Gaza stirred fears of a wider conflict ahead of central bank meetings in the United States, Britain and Japan, the latter of which might see a policy tightening. The earnings season also continues with Apple, Airbnb, McDonald's, Moderna and Eli Lilly & Co among the many reporting this week. Results so far have been underwhelming, contributing to the S&P 500's retreat into correction territory at 4,117. "The price action is bad as SPX could not defend a key 4,200 level; risk is it heads to the 200-week moving average of 3,941 before a trading rally," BofA analysts said.

Early on Monday, S&P 500 futures had edged up 0.3% to 4,151, while Nasdaq futures added 0.5%. EUROSTOXX 50 futures slipped 0.2% and FTSE futures were flat. Risk appetite was dulled by Israel's push to surround Gaza's main city in a self-declared "second phase" of a three-week war against Iranian-backed Hamas militants.

MSCI's broadest index of Asia-Pacific shares outside Japan eased 0.2%, having hit a one-year low last week. Chinese blue chips firmed 0.1%. China Evergrande Group's shares fell 20% on Monday as Hong Kong's High Court hears a winding-up petition against the embattled property developer, nearly two years after it defaulted on its debts.

Japan's Nikkei fell 1.1% amid speculation the Bank of Japan (BOJ) might tweak its yield curve control (YCC) policy after its two-day policy meeting wraps up on Tuesday. Many analysts expect the central bank will lift its inflation forecast to 2.0%, but are unsure whether it will finally abandon YCC in the face of market pressure on bonds. "Remaining uncertainty about the wage outlook, combined with stresses in global bond markets could prompt the BOJ to err on the side of caution, making our view that YCC will be scrapped a very close call," said analysts at Barclays. "The BOJ could still opt to revise policy but less drastically, perhaps by raising the ceiling for 10-year yields as it did in July." Abandoning YCC altogether would likely see Japanese bond yields rise and add to pressure on global markets already bruised by a vicious sell-off in U.S. Treasuries.

Yields on 10-year Treasuries stood at 4.87% on Monday, having climbed 30 basis points so far this month and touched 16-year peaks at 5.021%. Sentiment will be tested further this week when the Treasury announces its refunding plans, with more increases likely. NatWest Markets expects $885 billion of marketable borrowing in the fourth quarter and $700 billion in the following quarter.

The sharp rise in market borrowing costs has convinced analysts the Federal Reserve will stand pat at its policy meeting this week, with futures implying a 97% chance of rates staying at 5.25-5.5%. The market has also priced in 165 basis points of easing for 2024, starting around mid-year. "The Fed appears to have coalesced around the view that the recent tightening in financial conditions led by higher long-term interest rates has made another hike unnecessary," said analysts at Goldman Sachs, who estimated the rise in yields was the equivalent of 100 basis points of rate increases.

"The story of the year so far has been that economic reacceleration has not prevented further labor market rebalancing and progress in the inflation fight," they added. "We expect this to continue in coming months." Job figures due Friday are forecast to show U.S. payrolls rose a still solid 188,000 in October, after September's blockbuster gain, but annual growth in average earnings is still seen slowing to 4.0% from 4.2%.

The Bank of England is also expected to stay on hold this week, with markets pricing around a 70% chance it is done tightening altogether. Oddly the ascent of U.S. yields has not helped the dollar any higher recently. "Likewise, the fall in global equity markets and the ongoing uncertainty around the Hamas-Israel conflict has not done much to drive the dollar higher against risk-sensitive currencies," Capital Economics analysts wrote in a note. "This reinforces our sense that a relatively optimistic assessment of the outlook in the U.S. is by now largely discounted in the dollar."

The dollar was steady against a basket of currencies at 106.580 , having bounced between 105.350 and 106.890 last week. It firmed a touch on the yen to 149.74, but remained short of last week's top of 150.78. The euro idled at $1.0562, and is almost unchanged on the month so far.

In commodity markets, gold was steady at $2,003 an ounce. Oil prices eased as worries about demand outweighed risks to Middle East supplies, at least for the moment.

Source: Thomson Reuters Refinitiv

Domestic Markets

The South African rand strengthened on Friday ahead of the mid-term budget next week which will provide insight into the health of Africa's most industrialised economy. At 1615 GMT, the rand traded at 18.8075 to the dollar, about 0.8% stronger than its previous close. The dollar last traded around 0.15% weaker against a basket of global currencies.

The rand had a turbulent week, taking direction from global factors, such as U.S economic data, with the few domestic economic indicators in the backseat. Investors will on Wednesday turn their attention to South Africa's mid-term budget for clues on the health of the economy, which has been battling high inflation and rolling power cuts.

South Africa's benchmark 2030 government bond was slightly up, with the yield down 4 basis points to 10.660%. Shares on the Johannesburg Stock Exchange fell, with the blue-chip Top-40 index .JTOPI closing 0.75% lower.

Source: Thomson Reuters Refinitiv

Wealth consists not in having great possessions, but in having few wants.

Epictetus

Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)					30 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	⇨	8.60	0.000	8.60	8.60
9 months	⇨	8.67	0.000	8.67	8.67
12 months	⇨	8.71	0.000	8.71	8.71
Nominal Bond Yields %		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC24 (Coupon 10.50%, BMK R186)	⇩	8.56	-0.035	8.59	8.57
GC25 (Coupon 8.50%, BMK R186)	⇩	9.36	-0.035	9.40	9.38
GC26 (Coupon 8.50%, BMK R186)	⇩	8.67	-0.035	8.71	8.69
GC27 (Coupon 8.00%, BMK R186)	⇩	9.19	-0.035	9.23	9.21
GC28 (Coupon 8.50%, BMK R2030)	⇩	9.68	-0.040	9.72	9.70
GC30 (Coupon 8.00%, BMK R2030)	⇩	10.22	-0.040	10.26	10.24
GC32 (Coupon 9.00%, BMK R213)	⇩	10.89	-0.040	10.93	10.90
GC35 (Coupon 9.50%, BMK R209)	⇩	11.44	-0.030	11.47	11.45
GC37 (Coupon 9.50%, BMK R2037)	⇩	12.28	-0.035	12.31	12.29
GC40 (Coupon 9.80%, BMK R214)	⇩	12.14	-0.035	12.17	12.15
GC43 (Coupon 10.00%, BMK R2044)	⇩	12.23	-0.040	12.27	12.25
GC45 (Coupon 9.85%, BMK R2044)	⇩	12.75	-0.040	12.79	12.77
GC48 (Coupon 10.00%, BMK R2048)	⇩	12.74	-0.040	12.78	12.76
GC50 (Coupon 10.25%, BMK: R2048)	⇩	12.59	-0.040	12.63	12.61
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	-0.002	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	⇧	2,006	1.06%	1,985	2,002
Platinum	⇧	904	0.40%	900	900
Brent Crude	⇧	90.5	2.90%	87.9	89.3
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	⇩	1,495	-1.13%	1,512	1,495
JSE All Share	⇩	69,452	-0.68%	69,931	69,452
SP500	⇩	4,117	-0.48%	4,137	4,117
FTSE 100	⇩	7,291	-0.86%	7,355	7,291
Hangseng	⇧	17,399	2.08%	17,045	17,322
DAX	⇩	14,687	-0.30%	14,731	14,687
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	⇩	15,354	-1.23%	15,546	15,354
Resources	⇩	55,829	-0.49%	56,102	55,829
Industrials	⇩	93,378	-0.61%	93,954	93,378
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	⇩	18.78	-1.03%	18.98	18.83
N$/Pound	⇩	22.77	-1.07%	23.01	22.80
N$/Euro	⇩	19.84	-0.99%	20.04	19.88
US dollar/ Euro	⇧	1.056	0.04%	1.056	1.056
		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 listeds

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