

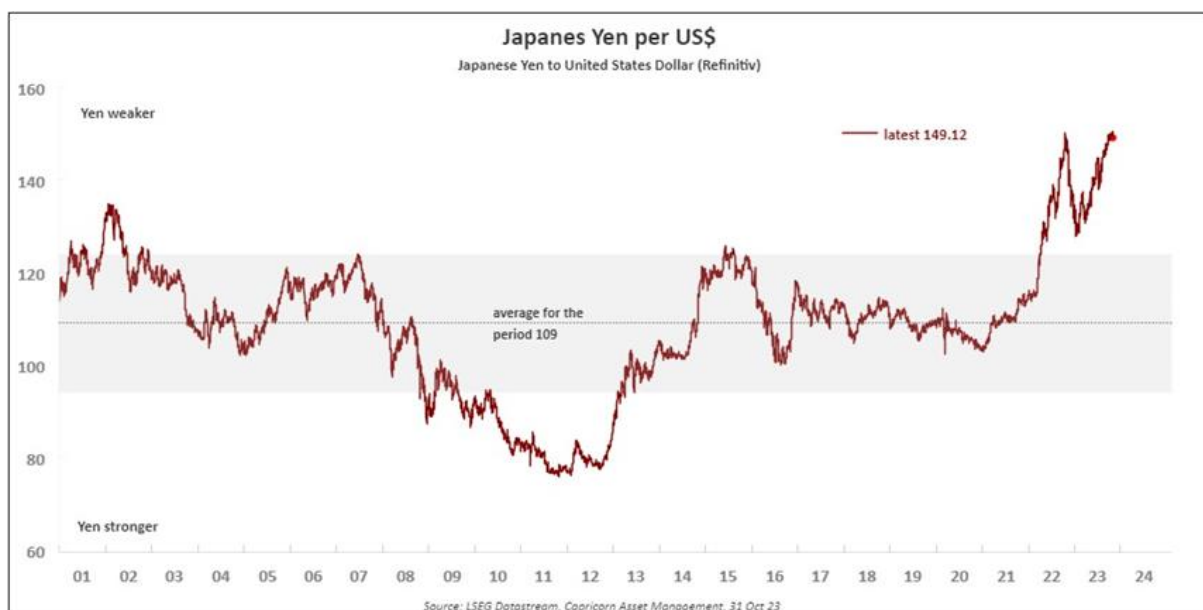
## The Daily Brief



Capricorn Asset Management

Market Update

Tuesday, 31 October 2023



## Global Markets

Asian equities slipped on Tuesday, hovering close to a near one-year low, as manufacturing activity data from China disappointed while the yen weakened past 150 per dollar after the Bank of Japan tweaked its bond yield control policy. The yen fell 0.7% against the dollar to touch a session low of 150.12 after the central bank maintained its target for the 10-year government bond yield around 0% set under its yield curve control (YCC) but redefined 1.0% as a loose "upper bound" rather than a rigid cap. Under criticism that its heavy defence of the cap is causing market distortions and an unwelcome yen fall, BOJ had raised its de-facto ceiling for the yield to 1.0% from 0.5% in July. Saxo market strategist Charu Chanana said the new reference range suggests the BOJ will allow yields to rise above 1%, while still trying to keep the changes to policy very subdued.

"Speculation of an eventual removal of YCC will continue to build ... last week proved that dollar/yen at 150 is not a line in the sand, and this could bring a test of 152," Chanana said. The 10-year JGB had yet to trade following the announcement. The yield jumped 6.5 basis points earlier in the day to 0.955%, its highest since May 2013. A report from the Nikkei newspaper on Monday that said BOJ is considering adjusting its yield curve control policy helped push the yen to a two-week peak of 148.81 per dollar but the fragile currency gave up all its gains after the BOJ decision. The central

bank, which maintained its ultra-loose monetary policy, also removed a pledge to defend the 1% level with offers to buy unlimited amount of bonds.

"(The) BOJ will buy some bonds around that (1%) level but not unlimited and they've shown their hand," said Tom Nash, portfolio manager at UBS Asset Management in Sydney. "Through all the linguistic contortions, the fact is that they are dismantling YCC. A yield cap isn't a yield cap if you change it every time the market gets close."

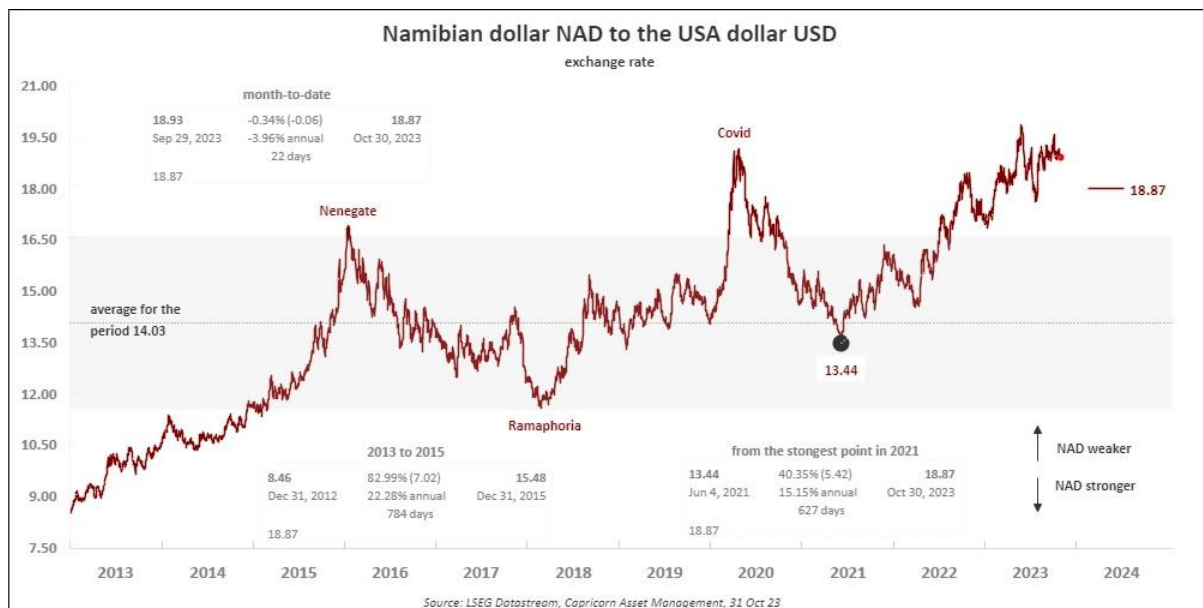
Stocks in Asia fell, with MSCI's broadest index of Asia-Pacific shares outside Japan 0.86% lower, hovering close to the one-year low it touched last week. The Shanghai Composite Index was 0.38% lower, while Hong Kong's Hang Seng Index fell 1.77% after China's manufacturing activity unexpectedly returned to contraction in October, an official factory survey showed on Tuesday. The data cast a cloud over recent indicators that showed a nascent recovery in the world's second-largest economy.

Investor focus this week will mainly be on the major central bank meetings, with the U.S. Federal Reserve and Bank of England also due to meet along with BOJ. On Tuesday, the Federal Open Markets Committee (FOMC) will convene for a two-day monetary policy meeting, which is expected to culminate in a decision to let the Fed funds target rate stand at 5.25%-5.50%.

A slew of recent data showed the U.S. economy remains resilient and comments from Fed Chair Jerome Powell will be scrutinized to gauge how long interest rates are likely to stay elevated. The Treasury Department said on Monday it expects to borrow \$76 billion less this quarter than anticipated in the third quarter on expectations of higher revenue receipts. The yield on 10-year Treasury notes US10YT=RR was flat at 4.875%. The dollar index, which measures U.S. currency against six rivals, rose 0.226%. Sterling was last trading at \$1.2145, down 0.18% on the day, while the euro was down 0.2% at \$1.0594.

U.S. crude rose 0.36% to \$82.61 per barrel and Brent was at \$87.81, up 0.41% on the day. Gold prices were flat after slipping below the \$2,000/ounce milestone in the last session. Spot gold XAU= eased 0.2% to \$1,991.39.

**Source: Thomson Reuters Refinitiv**



## Domestic Markets

The South African rand rose on Monday at the start of a data-heavy week that includes the government's midterm budget statement. At 1505 GMT, the rand traded at 18.8000 against the dollar, more than 0.3% stronger than its previous close. Meanwhile, the dollar last traded down 0.4% against a basket of global currencies.

South Africa's finance minister Enoch Godongwana will on Wednesday table in parliament the medium-term budget policy statement (MTBPS), which updates economic forecasts, adjusts the budget and makes emergency changes to spending. The rand's appreciation in recent days is surprising given that Godongwana will likely highlight the deterioration of South Africa's fiscal position, analysts at ETM said.

The currency could be drawing strength from more hawkish talk from the South African Reserve Bank, which has left the prospect of another rate hike on the table, they said. "The broader picture remains worrisome, with all eyes turning to the MTBPS to determine if the government has the appetite to implement urgently needed structural reforms," ETM Analytics said in a research note.

Central bank data on Monday showed that South Africa's credit growth had risen to 4.60% in September from 4.39% in August, and that M3 money supply growth was at 7.67% in September, down from 8.53% the previous month. National Treasury figures showed the country recorded a budget deficit of 14.59 billion rand (\$774.84 million) in September, compared to a deficit of 3.29 billion rand in the same month a year earlier.

Shares on the Johannesburg Stock Exchange rose, with the blue-chip Top-40 index closing over 0.7% higher. South Africa's benchmark 2030 government bond fell, the yield up 5.5 basis points at 10.715%.

**Source: Thomson Reuters Refinitiv**

Self-love is the source of all our other loves.

Pierre Corneille

## Market Overview

MARKET INDICATORS (Thomson Reuters Refinitiv)				31 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	↓	8.70	-0.017	8.71	8.70
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	↑	8.57	0.015	8.56	8.58
GC25 (Coupon 8.50%, BMK R186)	↑	9.38	0.015	9.36	9.38
GC26 (Coupon 8.50%, BMK R186)	↑	8.69	0.015	8.67	8.69
GC27 (Coupon 8.00%, BMK R186)	↑	9.21	0.015	9.19	9.21
GC28 (Coupon 8.50%, BMK R2030)	↑	9.74	0.055	9.68	9.73
GC30 (Coupon 8.00%, BMK R2030)	↑	10.28	0.055	10.22	10.27
GC32 (Coupon 9.00%, BMK R213)	↑	10.93	0.045	10.89	10.94
GC35 (Coupon 9.50%, BMK R209)	↑	11.51	0.070	11.44	11.50
GC37 (Coupon 9.50%, BMK R2037)	↑	12.36	0.080	12.28	12.35
GC40 (Coupon 9.80%, BMK R214)	↑	12.21	0.075	12.14	12.20
GC43 (Coupon 10.00%, BMK R2044)	↑	12.30	0.065	12.23	12.29
GC45 (Coupon 9.85%, BMK R2044)	↑	12.82	0.065	12.75	12.81
GC48 (Coupon 10.00%, BMK R2048)	↑	12.81	0.070	12.74	12.80
GC50 (Coupon 10.25%, BMK: R2048)	↑	12.66	0.070	12.59	12.65
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)	→	4.71	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	0.000	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	↓	1,996	-0.49%	2,006	1,993
Platinum	↑	930	2.84%	904	928
Brent Crude	↓	87.5	-3.35%	90.5	87.8
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,512	1.10%	1,495	1,512
JSE All Share	↑	69,871	0.60%	69,452	69,871
SP500	↑	4,167	1.20%	4,117	4,167
FTSE 100	↑	7,327	0.50%	7,291	7,327
Hangseng	↑	17,406	0.04%	17,399	17,098
DAX	↑	14,717	0.20%	14,687	14,717
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	15,541	1.22%	15,354	15,541
Resources	↑	56,107	0.50%	55,829	56,107
Industrials	↑	93,872	0.53%	93,378	93,872
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	18.85	0.34%	18.78	18.92
N\$/Pound	↑	22.93	0.72%	22.77	22.97
N\$/Euro	↑	20.00	0.81%	19.84	20.04
US dollar/ Euro	↑	1.061	0.46%	1.056	1.059
Interest Rates & Inflation		Namibia		RSA	
		Oct 23	Sep 23	Oct 23	Sep 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](mailto: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**

---