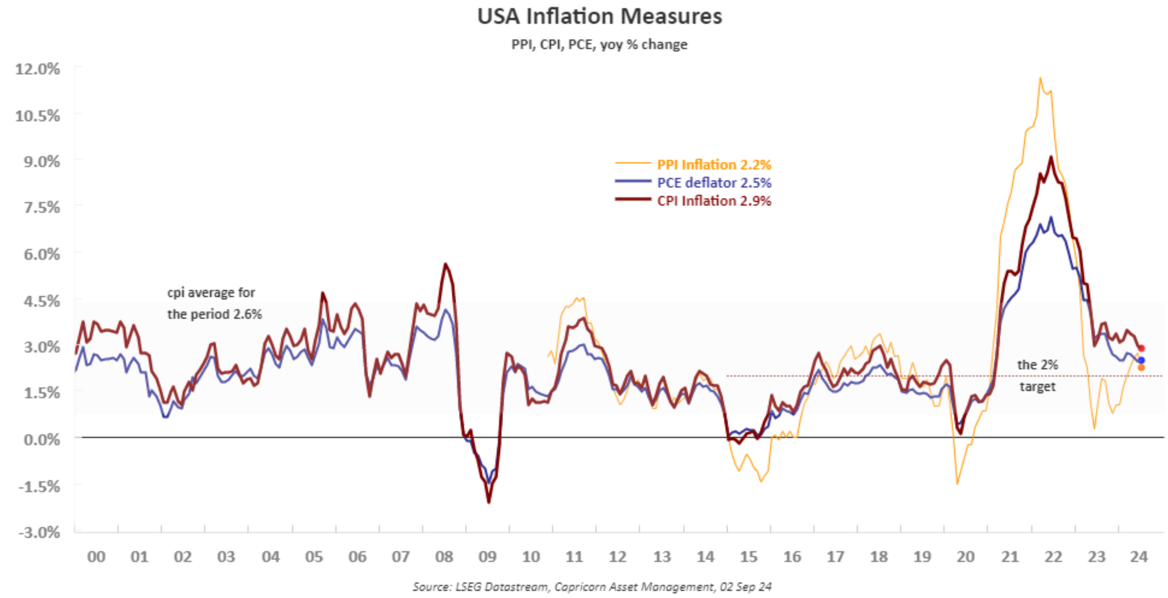
Market Update

Monday, 02 Sep 2024



Global Markets

Global stocks edged higher in choppy trading on Friday, making it the fourth consecutive month of gains despite a bout of heavy selling in early August, buoyed by U.S. economic data that has helped the dollar snap a weeks-long losing streak. The U.S. personal consumption expenditures (PCE) price index - which is the Federal Reserve's preferred inflation measure - rose 0.2% in July, according to Commerce Department data released on Friday. Consumer spending, which accounts for more than two-thirds of U.S. economic activity, rose 0.5% last month, the report showed. The data sets the stage for the Fed to likely begin easing monetary policy from September.

The Dow Jones Industrial Average finished up 0.55% to 41,563.08, reaching the second consecutive record high close. Benchmark S&P 500 gained 1.01% to 5,648.40 and the Nasdaq Composite gained 1.13% to 17,713.62. For the month, the Dow finished up 1.8%, S&P 500 added 2.3%, and the Nasdaq gained 0.6%. Europe's Stoxx index closed up 0.09% after touching a record intraday high while Britain's FTSE 100 eased 0.04%. MSCI's world share index rose 0.77%, making it a 2.40% monthly gain. The stunning recovery from an early August sell-off reminiscent of October 1987's "Black Monday" came as traders priced a so-called Goldilocks scenario, in which the U.S. economy keeps growing but not so much as to prevent interest rate cuts. Money markets are confidently pricing the Fed's first 25 basis point cut of this cycle at its September meeting, with a 33% chance of a jumbo 50 bp reduction. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.48% and ended the month 2% higher. Japan's Nikkei, following its early August collapse, was down 1.16% for the month after rising 0.74% on Friday.

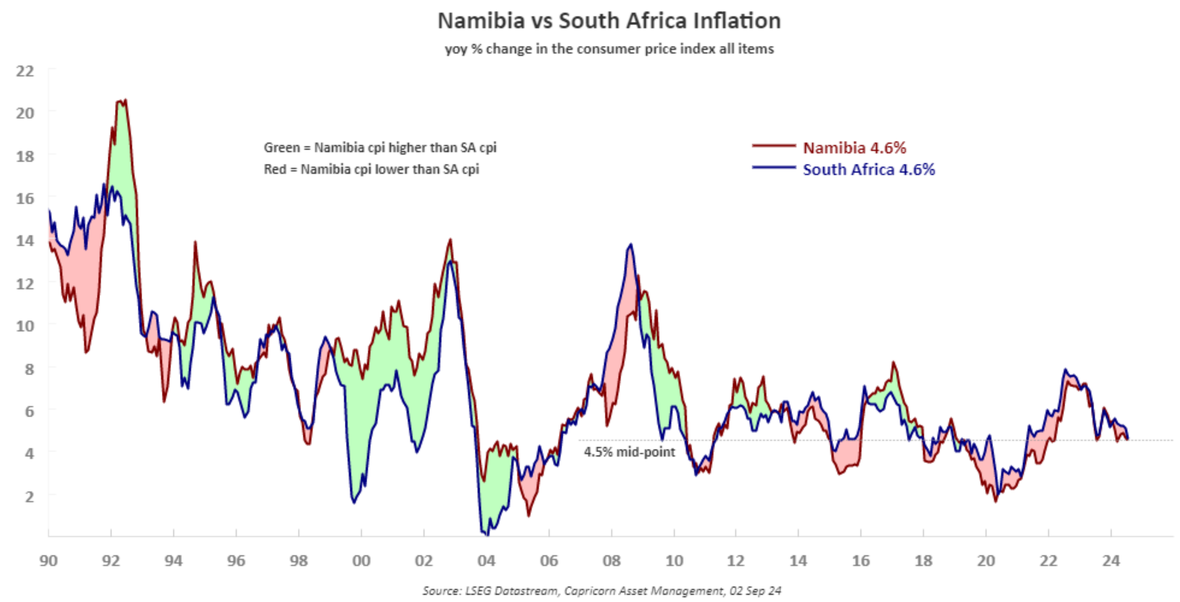
The U.S. economy grew faster than initially thought in the second quarter of this year because of strong consumer spending, and corporate profits, a report on Thursday showed. "The last few days we've started out a little stronger and then drifted during the day and in many cases closed either break even or slightly positive or slightly negative," said Tom Plumb, chief executive and portfolio manager at Plumb Funds. "I think that is a sign of a cycle where you start to see people transition to a different environment and it's not positive for the past leaders," he added, referring to the so-called "Magnificent 7" tech stocks that were at the forefront of this year's stock market rally.

Government bonds rallied in early August after a weaker-than-expected U.S. jobs report and a surprise Bank of Japan rate hike wreaked chaos in currency carry trades driving heavy selling of risky assets. The yield on benchmark U.S. 10-year notes, which moves inversely to prices, rose 4.2 basis points on Friday to 3.909%. The 2-year note yield, which typically moves in step with interest rate expectations, rose 2.4 basis points to 3.9165%. "As we're starting to lay out what our expectations are for an environment with lower interest rates, at least lower short term rates... we're already starting to see a change in the shape of the yield curve, which impacts the bond market but also the stock market," Plumb added.

The dollar steadied near a one-week high versus a basket of other major currencies, on track to snap a five-week losing streak although still heading for around a 2.5% monthly loss. Against the yen, the dollar stood at 146.14, set to lose more than 2.5% for the month, as pressure eased on the Japanese currency on the prospect of narrowing interest rate differentials. Core inflation in Japan's capital Tokyo accelerated for a fourth straight month in August, data showed on Friday, with the 2.4% price increase signalling further BoJ rate hikes ahead. The euro was down 0.2% at $1.105, having declined on Thursday after softer-than-expected German inflation data increased bets on further European Central Bank rate cuts.

Oil prices fell. Brent crude futures for October delivery, which expire on Friday, settled 1.43% at $78.80 a barrel, marking a decline of 0.3% for the week and 2.4% for the month. U.S. West Texas Intermediate crude futures settled down 3.11% to $73.55, a drop of 1.7% in the week and a 3.6% decline in August. Gold prices weakened but looking at a 2.8% monthly gain. Spot gold lost 0.74% to $2,502.44 an ounce. U.S. gold futures settled 1.3% lower at $2,527.6

Source: LSEG Thomson Reuters Refinitiv.



Domestic Markets

South Africa's rand was stable on Friday against a buoyant dollar, after the local unit hit a fresh 13-month high earlier in the day supported by improved investor sentiment on signs the domestic economy is starting to gain momentum. At 1512 GMT, the rand was flat at 17.7550 per dollar. It earlier hit 17.5950 against the greenback, a level not seen since late July 2023. The dollar last traded about 0.23% stronger against a basket of global currencies. The rand's earlier gains were pared as the greenback firmed after U.S. core personal consumption expenditure data, a key inflation reading, cemented expectations that the Federal Reserve will likely cut interest rates by 25 basis points in September.

Analysts have linked recent rand strength to a structural improvement on the supply side of Africa's most industrialised economy, with South Africa not witnessing rolling power cuts for over 150 days thanks to a big improvement in state power utility Eskom's performance. "There have been no power cuts in South Africa for several months," Commerzbank FX analyst Volkmar Baur said in a research note. "This has not happened in South Africa for years." Power cuts have hampered South Africa's economic growth for over a decade, with outages on a record 335 days last year.
Inflation also appears to have turned a corner.

Data released on Thursday showed annual producer inflation in South Africa dropped to 4.2% in July. July consumer inflation fell to a three-year low of 4.6%, falling close to the midpoint of the South African central bank's 3% to 6% target range and bolstering expectations the bank will cut its main interest rate for the first time in four years next month. Baur said lower domestic interest rates could stimulate further investment and structural improvements in the economy. "This positive development reduces the risk premium that the foreign exchange market has placed on South Africa in recent years and strengthens the rand," he added. South Africa's central bank governor Lesetja Kganyago said on Thursday that the country was getting to grips with reforms that could lift its growth potential.

On the Johannesburg Stock Exchange, the Top-40 index closed 0.64% down. South Africa's benchmark 2030 government bond was weaker, as the yield gained 6.5 basis point to 9.2%.

Source: LSEG Thomson Reuters Refinitiv.

Opportunity is missed by most people because it is dressed in overalls and looks like work.
Thomas A. Edison

Market Overview

MARKET INDICATORS (LSEG Thomson Reuters Refinitiv)					02 September 2024
Money Market TB Rates %		**Last close**	**Difference**	**Prev close**	**Current Spot**
3 months	➔	8.40	0.000	8.40	8.20
6 months	↑	8.55	0.016	8.54	8.35
9 months	↑	8.56	0.017	8.54	8.37
12 months	↑	8.44	0.025	8.41	8.25
Nominal Bond Yields %		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC24 (Coupon 10.50%, BMK R186)	↑	8.09	0.035	8.06	8.10
GC25 (Coupon 8.50%, BMK R186)	↑	8.08	0.035	8.05	8.09
GC26 (Coupon 8.50%, BMK R186)	↑	8.16	0.035	8.12	8.17
GC27 (Coupon 8.00%, BMK R186)	↑	8.46	0.035	8.42	8.47
GC28 (Coupon 8.50%, BMK R2030)	↑	8.55	0.065	8.48	8.55
GC30 (Coupon 8.00%, BMK R2030)	↑	8.77	0.065	8.70	8.77
GC32 (Coupon 9.00%, BMK R213)	↑	9.31	0.050	9.26	9.32
GC35 (Coupon 9.50%, BMK R209)	↑	10.06	0.085	9.98	10.06
GC37 (Coupon 9.50%, BMK R2037)	↑	10.63	0.090	10.54	10.63
GC40 (Coupon 9.80%, BMK R214)	↑	11.24	0.075	11.16	11.25
GC43 (Coupon 10.00%, BMK R2044)	↑	11.40	0.100	11.30	11.41
GC45 (Coupon 9.85%, BMK R2044)	↑	11.75	0.100	11.65	11.76
GC48 (Coupon 10.00%, BMK R2048)	↑	11.66	0.100	11.56	11.66
GC50 (Coupon 10.25%, BMK: R2048)	↑	11.71	0.100	11.61	11.71
Inflation-Linked Bond Yields %		**Last close**	**Difference**	**Prev close**	**Current Spot**
GI25 (Coupon 3.80%, BMK NCPI)	➔	3.10	0.000	3.10	3.75
GI27 (Coupon 4.00%, BMK NCPI)	➔	4.60	0.000	4.60	4.57
GI29 (Coupon 4.50%, BMK NCPI)	➔	4.97	0.000	4.97	4.82
GI33 (Coupon 4.50%, BMK NCPI)	➔	5.62	0.000	5.62	5.42
GI36 (Coupon 4.80%, BMK NCPI)	➔	6.07	0.000	6.07	5.78
Commodities		**Last close**	**Change**	**Prev close**	**Current Spot**
Gold	↓	2,503	-0.72%	2,521	2,498
Platinum	↓	926	-1.25%	938	928
Brent Crude	↓	78.8	-1.43%	79.9	76.4
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	↓	1,850	-0.94%	1,868	1,850
JSE All Share	↓	83,750	-0.58%	84,239	83,750
SP500	↑	5,648	1.01%	5,592	5,648
FTSE 100	↓	8,377	-0.04%	8,380	8,377
Hangseng	↑	17,989	1.14%	17,786	17,720
DAX	↓	18,907	-0.03%	18,913	18,907
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	↓	20,933	-0.60%	21,059	20,933
Resources	↓	56,092	-2.47%	57,511	56,092
Industrials	↑	114,315	0.39%	113,871	114,315
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	↑	17.82	0.35%	17.76	17.82
N$/Pound	↑	23.39	0.03%	23.39	23.40
N$/Euro	↑	19.69	0.08%	19.67	19.70
US dollar/ Euro	↓	1.105	-0.27%	1.108	1.106
		Namibia		**RSA**	
Interest Rates & Inflation		**Aug 24**	**Jul 24**	**Aug 24**	**Jul 24**
Central Bank Rate	↓	7.50	7.75	8.25	8.25
Prime Rate	↓	11.25	11.50	11.75	11.75
		Jul 24	**Jun 24**	**Jul 24**	**Jun 24**
Inflation	➔	4.6	4.6	4.6	5.1

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.

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