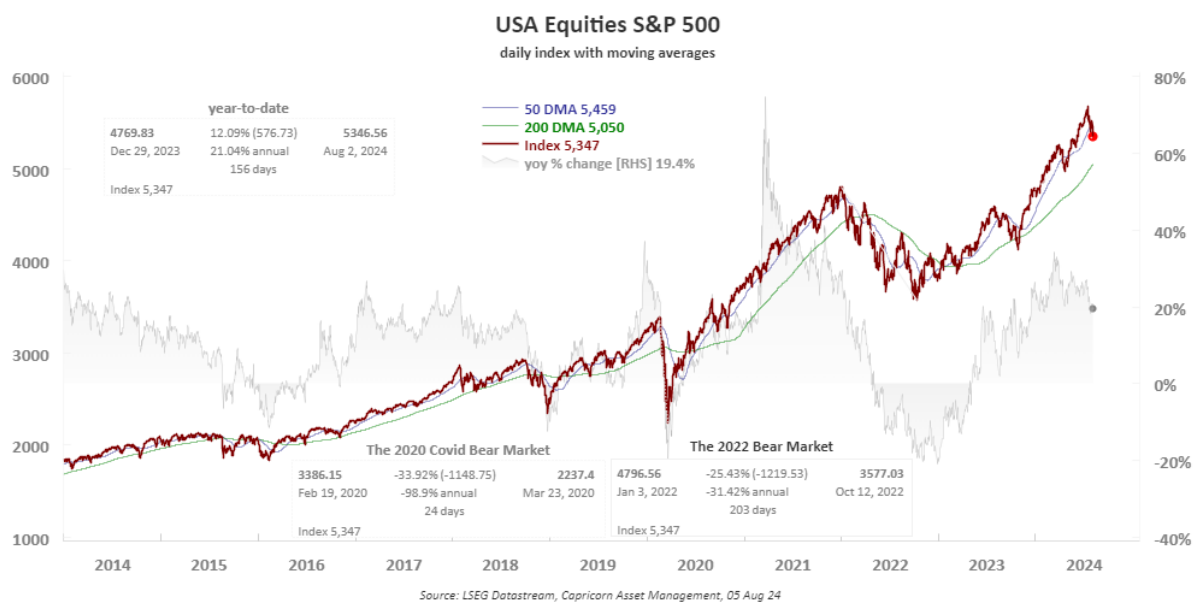




Market Update

Monday, 05 Aug 2024



Global Markets

Surprisingly weak U.S. employment data on Friday stoked fears of a recession ahead, prompting investors to dump stocks and turn to safe-haven bonds. Treasury prices surged, sending yields to multi-month lows. Oil price benchmarks fell by more than \$3 per barrel at their session lows. The U.S. dollar index dropped over 1% to its weakest since March. Richly valued technology firms bore much of the pain, and an index of European bank stocks headed for its largest weekly decline in 17 months on soft earnings.

The VIX stock market volatility measure, dubbed Wall Street's fear gauge, surged over 40%. Friday's U.S. jobs report showed job growth slowed more than expected in July and unemployment increased to 4.3%, pointing to possible weakness in the labour market and greater vulnerability to recession. Markets were already rattled by downbeat earnings updates from Amazon and Intel and Thursday's softer-than-expected U.S. factory activity survey, in addition to the monthly U.S. non-farm payrolls report, which showed job growth slumped to 114,000 new hires in July from 179,000 in June.

The data raised expectations of multiple rate cuts by the Federal Reserve this year, which just this week opted to keep rates unchanged. "The jobs data are signalling substantial further progress that the Federal Reserve made a policy error by not reducing the fed funds rate this week," said Jamie Cox, managing partner for Harris Financial Group in Richmond, Virginia. "It's very possible the Fed

alters its inter-meeting communications on the balance of risks to remove all doubt about a September rate cut. "

With thin summer trading likely exaggerating moves, a slump that began in Asia with a 5.8% drop for Japan's Nikkei, its biggest daily fall since March 2020 during the COVID-19 crisis, rippled through Europe and headed for Wall Street. MSCI's gauge of stocks across the globe fell 16.09 points, or 2.00%, to 787.31. The Nasdaq Composite lost 417.98 points, or 2.43%, to 16,776.16. The index has fallen more than 10% from its July closing high, confirming it is in a correction after concerns grew about expensive valuations in a weakening economy. The Dow Jones Industrial Average fell 610.71 points, or 1.51%, to 39,737.26, the S&P 500 lost 100.12 points. Europe's STOXX 600 fell close to 3%, with financials and technology the worst hit. Emerging market stocks fell 24.30 points, or 2.23%, to 1,063.50. MSCI's broadest index of Asia-Pacific shares outside Japan closed 2.48% lower 2.48%, at 553.72, while Japan's Nikkei fell 2,216.63 points, or 5.81%, to 35,909.70.

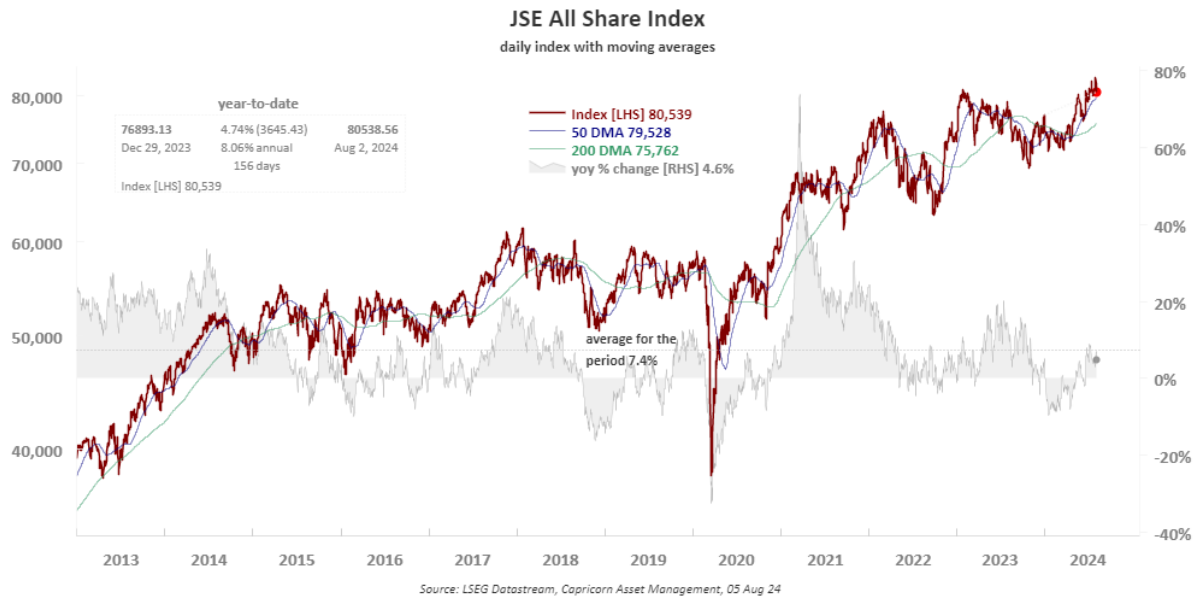
The Fed has kept benchmark borrowing costs at a 23-year high of 5.25%-5.50% for a year, and some analysts believe the world's most influential central bank may have kept monetary policy tight for too long, risking a recession. Money markets on Friday rushed to price a 70% chance of the Fed, which was already widely expected to cut rates from September, implementing a jumbo 50 basis points cut next month to insure against a downturn. The "employment report flashes a warning signal that this economy does have the ability to turn rather quickly," said Charlie Ripley, Senior Investment Strategist for Allianz Investment Management in Minneapolis. "Ultimately, today's employment data should embolden the committee to cut policy by more than 25 basis points at the next meeting."

Shares in U.S. chipmaker Intel tumbled to a more than 11-year low and finished down over 26%, after suspending its dividend and announcing hefty job cuts alongside underwhelming earnings forecasts. Artificial intelligence chipmaker Nvidia, one of the biggest contributors to the tech rally, dropped 1.8%. Up more than 700% since January 2023, Nvidia has left many asset managers with an outsized exposure to the fortunes of this single stock. Safe-haven buying went full throttle, with government debt, gold and currencies traditionally all rallying. They are assets viewed as likely to hold value during market chaos.

The yield on benchmark U.S. 10-year notes fell 18 basis points to 3.798%. The 2-year note yield, which typically moves in step with interest rate expectations, fell 28.5 basis points to 3.8798%. In foreign exchange markets, the yen added nearly 2%, extending a rapid bounce back after the Bank of Japan raised interest rates to levels unseen in 15 years.

In commodities, spot gold lost 0.37% to \$2,436.31 an ounce and U.S. gold futures settled 0.4% lower to \$2,4769.8. Oil prices took a hit on the growth worries, with global benchmark Brent futures settled down \$2.71, or 3.41%, to \$76.81 a barrel. U.S. West Texas Intermediate crude futures finished down \$2.79, or 3.66%, at \$73.52.

Source: LSEG Thomson Reuters Refinitiv.



Domestic Markets

The South African rand firmed on Friday as U.S. economic data showed a slowdown in jobs growth in July and a rise in the unemployment rate, boosting bets of a September rate cut in the world's biggest economy and pressuring the dollar. The rand traded at 18.24 against the dollar at 1553 GMT, about 0.2% stronger than its Thursday close. The dollar was last down over 1% against a basket of currencies.

The data from the U.S. followed comments from Federal Reserve Chair Jerome Powell, who said on Wednesday that rates could be cut as soon as September if the U.S. economy follows its expected path. Like other risk-sensitive currencies, the rand often takes cues from global drivers like U.S. economic data and monetary policy in the absence of major local drivers.

On the Johannesburg Stock Exchange, the blue-chip Top-40 index closed about 1.7% down. South Africa's benchmark 2030 government bond was stronger, with the yield down 9.5 basis points at 9.25%.

Source: LSEG Thomson Reuters Refinitiv.

Dreams will get you nowhere, a good kick in the pants will take you a long way.

Baltasar Gracian

Market Overview

MARKET INDICATORS (LSEG Thomson Reuters Refinitiv)					05 August 2024	
Money Market TB Rates %			Last close	Difference	Prev close	Current Spot
3 months	↓		8.47	-0.008	8.48	8.47
6 months	↓		8.67	-0.025	8.70	8.67
9 months	↓		8.69	-0.050	8.74	8.69
12 months	↓		8.66	-0.025	8.69	8.66
Nominal Bond Yields %			Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	↓		9.10	-0.070	9.17	9.10
GC25 (Coupon 8.50%, BMK R186)	↓		9.00	-0.070	9.07	9.00
GC26 (Coupon 8.50%, BMK R186)	↓		8.33	-0.070	8.40	8.33
GC27 (Coupon 8.00%, BMK R186)	↓		8.61	-0.070	8.68	8.61
GC28 (Coupon 8.50%, BMK R2030)	↓		8.89	-0.095	8.99	8.90
GC30 (Coupon 8.00%, BMK R2030)	↓		9.10	-0.095	9.20	9.11
GC32 (Coupon 9.00%, BMK R213)	↓		9.50	-0.085	9.59	9.51
GC35 (Coupon 9.50%, BMK R209)	↓		10.18	-0.035	10.21	10.17
GC37 (Coupon 9.50%, BMK R2037)	↓		10.96	-0.030	10.99	10.95
GC40 (Coupon 9.80%, BMK R214)	↓		11.45	-0.010	11.46	11.46
GC43 (Coupon 10.00%, BMK R2044)	↓		11.63	-0.005	11.64	11.62
GC45 (Coupon 9.85%, BMK R2044)	↓		11.99	-0.005	12.00	11.98
GC48 (Coupon 10.00%, BMK R2048)	↓		11.99	-0.005	11.99	11.99
GC50 (Coupon 10.25%, BMK: R2048)	↓		12.06	-0.005	12.06	12.06
Inflation-Linked Bond Yields %			Last close	Difference	Prev close	Current Spot
GI25 (Coupon 3.80%, BMK NCPI)	⇒		3.10	0.000	3.10	3.50
GI27 (Coupon 4.00%, BMK NCPI)	⇒		4.60	0.000	4.60	4.61
GI29 (Coupon 4.50%, BMK NCPI)	⇒		4.97	0.000	4.97	4.88
GI33 (Coupon 4.50%, BMK NCPI)	⇒		5.62	0.000	5.62	5.52
GI36 (Coupon 4.80%, BMK NCPI)	⇒		6.07	0.000	6.07	5.95
Commodities			Last close	Change	Prev close	Current Spot
Gold	↓		2,443	-0.09%	2,445	2,439
Platinum	↓		958	-0.09%	959	938
Brent Crude	↓		76.8	-3.41%	79.5	76.4
Main Indices			Last close	Change	Prev close	Current Spot
NSX Overall Index	↓		1,770	-2.03%	1,807	1,770
JSE All Share	↓		80,539	-1.62%	81,869	80,539
SP500	↓		5,347	-1.84%	5,447	5,347
FTSE 100	↓		8,175	-1.31%	8,283	8,175
Hangseng	↓		16,946	-2.08%	17,305	16,619
DAX	↓		17,661	-2.33%	18,083	17,661
JSE Sectors			Last close	Change	Prev close	Current Spot
Financials	↓		19,420	-1.53%	19,722	19,420
Resources	↓		59,220	-2.83%	60,942	59,220
Industrials	↓		107,625	-1.21%	108,946	107,625
Forex			Last close	Change	Prev close	Current Spot
N\$/US dollar	↑		18.28	0.06%	18.27	18.41
N\$/Pound	↑		23.39	0.52%	23.27	23.54
N\$/Euro	↑		19.94	1.16%	19.71	20.12
US dollar/ Euro	↑		1.091	1.08%	1.079	1.093
			Namibia		RSA	
Interest Rates & Inflation			Jul 24	Jun 24	Jul 24	Jun 24
Central Bank Rate	⇒		7.75	7.75	8.25	8.25
Prime Rate	⇒		11.50	11.50	11.75	11.75
			Jun 24	May 24	Jun 24	May 24
Inflation	↓		4.6	4.9	5.1	5.2

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.



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