

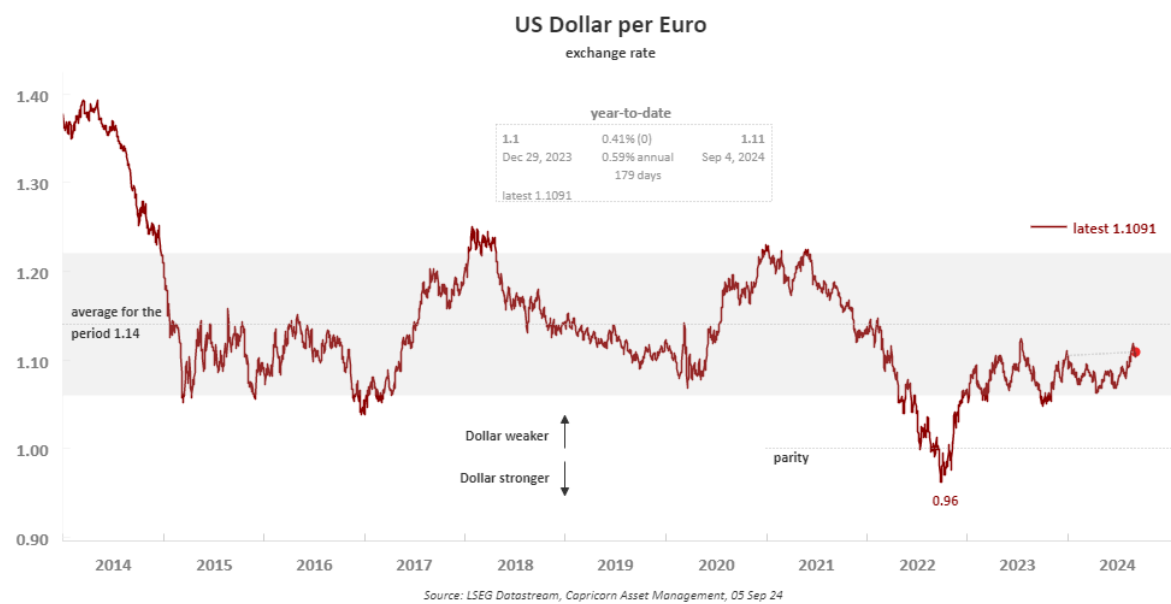


# The Daily Brief

 Capricorn Asset Management

## Market Update

Thursday, 05 Sep 2024



## Global Markets

MSCI's global equities gauge fell for a third day in a row and oil prices lost ground on Wednesday, while safe-haven assets such as U.S. Treasuries and Japan's yen were in demand as mixed batch of economic data fuelled concerns about slowing growth. Crude oil futures settled down more than 1% in their third straight day of declines, including a more than 4% loss on Tuesday, due to fears about demand for coming months. In U.S. Treasuries, yields were lower and earlier in the day, the closely watched yield curve between two-year and 10-year notes turned positive after data showed that U.S. job openings fell to a 3-1/2-year low in July.

On Tuesday, Wall Street stock indexes had registered their biggest daily percentage drops since early August as investors took profits while weak U.S. manufacturing data did little to boost risk appetites. On Wednesday, the S&P 500 ended lower after spending the morning flitting between red and green as investors waited anxiously for more economic data. Thursday will bring a reading on the U.S. services industry with jobless claims data. Then Friday's hotly anticipated August report for nonfarm payrolls is expected to provide the clearest clues as to the health of the U.S. economy and whether the Federal Reserve will cut interest rates this month by a quarter or a half of a percentage point. "In a historically weak month for stocks, investors are acting more cautious and more concerned about the growth outlook than the inflation outlook," said Anthony Saglimbene, chief market strategist at Ameriprise Financial in Troy, Michigan.

Wednesday's data was already a mixed bag. A Commerce Department report showed new orders for U.S.-manufactured goods increased more than expected in July, boosted by defence aircraft. But demand elsewhere was moderate with borrowing costs high. U.S. job openings in July dropped to their lowest level since January 2021, suggesting the labour market was losing steam and leading traders to add to bets that the Fed will deliver a half-a-percentage-point cut in rates at its meeting this month. "The setup is changing. Maybe three-four months ago, markets would feel good about a 50 basis point cut. Now a 50 basis point cut would signal that growth is slowing more than expected and that the Fed is behind the curve," said Ameriprise's Saglimbene. Also on Wednesday, Atlanta Federal Reserve President Raphael Bostic said the U.S. central bank must not keep interest rates too high much longer or it risks harming employment too much.

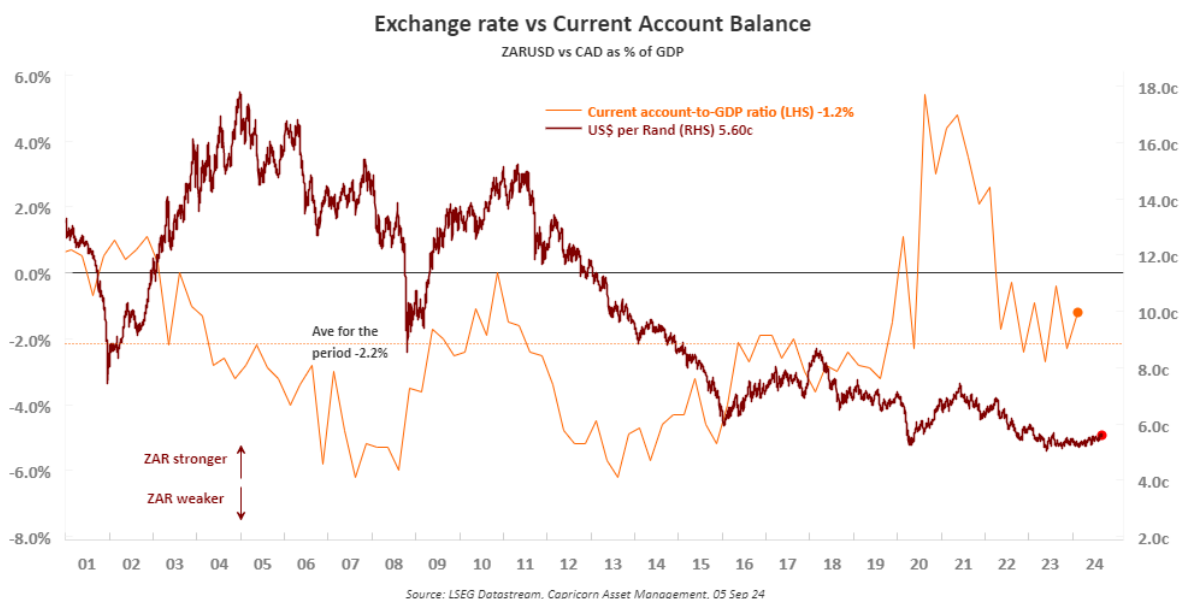
On Wall Street the Dow Jones Industrial Average rose 38.04 points, or 0.09%, to 40,974.97, the S&P 500 lost 8.86 points, or 0.16%, to 5,520.07 and the Nasdaq Composite lost 52.00 points, or 0.30%, to 17,084.30. MSCI's gauge of stocks across the globe fell 4.40 points, or 0.54%, to 815.07. Earlier Europe's STOXX 600 index fell had closed down 0.97%.

In foreign exchange markets, the dollar eased against most major currencies after the July U.S. job openings data tilted the odds further in favour of larger U.S. rate cuts while the yen benefited from a safe haven bid. The dollar index, which measures the greenback against a basket of currencies including the yen and the euro, fell 0.39% at 101.30. The euro was up 0.34% at \$1.108 while against the Japanese yen, the dollar weakened 1.17% to 143.77.

"Stock market instability and dropping U.S. yields have made the yen a strong performer," said Marc Chandler, chief market strategist at Bannockburn Global Forex. In Treasuries, the yield on benchmark U.S. 10-year notes fell 8.9 basis points to 3.755%, from 3.844% late on Tuesday while the 2-year note yield, which typically moves in step with interest rate expectations, fell 12.8 basis points to 3.76%. A closely watched part of the U.S. Treasury yield curve measuring the gap between yields on two- and 10-year Treasury notes, seen as an indicator of economic expectations, was at a negative 0.7 basis points. "The big event of the week comes in the form of Friday's payrolls print," said Ian Lyngen, head of U.S. rates strategy at BMO Capital Markets in New York. "That's to a large extent going to give us the road map for what to expect from the Fed. The employment data is now overshadowing inflation as the biggest risk to near-term policy expectations."

Crude oil prices fell on pessimism about demand in the coming months as crude producers offered mixed signals about supply increases. Lacklustre data from the U.S. and China have added to persistent expectations for a weaker global economy. U.S. crude settled down 1.6% at \$69.20 a barrel while Brent ended 1.4% lower at \$72.70 per barrel. Gold prices reversed course to gain ground with help from a softer dollar and lower yields after the weak data on U.S. job openings. Spot gold inched up 0.07% to \$2,494.43 an ounce.

**Source: LSEG Thomson Reuters Refinitiv.**



## Domestic Markets

The South African rand strengthened against a weaker dollar on Wednesday, after U.S. jobs data showed a softening labour market. At 1534 GMT, the rand traded at 17.8625 against the dollar, 0.61% stronger than its previous close. The dollar index was last trading down 0.33% against a basket of currencies.

U.S. job openings dropped to a 3-1/2-year low in July, suggesting the labour market was slowing in an orderly manner, but probably not enough for the Federal Reserve to consider a big interest rate cut this month. Like other risk-sensitive currencies, the rand often takes cues from global drivers like the direction of U.S. monetary policy in addition to local factors.

Domestically, a survey showed South African private sector activity rose in August as firms received higher volumes of new orders for the first time since April last year. Another survey showed South African business confidence rose in the third quarter, helped by improving optimism about the business climate after the formation of a coalition government and stable electricity supply.

On the stock market, the Top-40 index closed 0.37% lower. South Africa's benchmark 2030 government bond was stronger, as the yield slipped 18 basis points to 9.035%.

Though we travel the world over to find the beautiful, we must carry it with us or we find it not.

Ralph Waldo Emerson

Source: LSEG Thomson Reuters Refinitiv.

## Market Overview

MARKET INDICATORS (LSEG Thomson Reuters Refinitiv)				05 September 2024	
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	⇒	8.40	0.000	8.40	8.20
6 months	⇒	8.55	0.000	8.55	8.35
9 months	⇒	8.56	0.000	8.56	8.37
12 months	⇒	8.44	0.000	8.44	8.25
<b>Nominal Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC24 (Coupon 10.50%, BMK R186)	↓	8.16	-0.120	8.28	8.10
GC25 (Coupon 8.50%, BMK R186)	↓	8.15	-0.120	8.27	8.09
GC26 (Coupon 8.50%, BMK R186)	↓	8.23	-0.120	8.35	8.17
GC27 (Coupon 8.00%, BMK R186)	↓	8.53	-0.120	8.65	8.47
GC28 (Coupon 8.50%, BMK R2030)	↓	8.57	-0.190	8.76	8.55
GC30 (Coupon 8.00%, BMK R2030)	↓	8.79	-0.190	8.98	8.77
GC32 (Coupon 9.00%, BMK R213)	↓	9.37	-0.175	9.54	9.32
GC35 (Coupon 9.50%, BMK R209)	↓	10.09	-0.170	10.26	10.06
GC37 (Coupon 9.50%, BMK R2037)	↓	10.66	-0.135	10.79	10.63
GC40 (Coupon 9.80%, BMK R214)	↓	11.29	-0.175	11.47	11.25
GC43 (Coupon 10.00%, BMK R2044)	↓	11.45	-0.190	11.64	11.41
GC45 (Coupon 9.85%, BMK R2044)	↓	11.80	-0.190	11.99	11.76
GC48 (Coupon 10.00%, BMK R2048)	↓	11.70	-0.195	11.90	11.66
GC50 (Coupon 10.25%, BMK: R2048)	↓	11.75	-0.195	11.95	11.71
<b>Inflation-Linked Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
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
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↑	2,494	0.06%	2,493	2,503
Platinum	↓	903	-0.08%	903	913
Brent Crude	↓	72.7	-1.42%	73.8	73.0
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	↑	1,803	0.15%	1,800	1,803
JSE All Share	↓	81,915	-0.29%	82,157	81,915
SP500	↓	5,520	-0.16%	5,529	5,520
FTSE 100	↓	8,270	-0.35%	8,298	8,270
Hangseng	↓	17,457	-1.10%	17,651	17,346
DAX	↓	18,592	-0.83%	18,747	18,592
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↑	20,682	0.46%	20,587	20,682
Resources	↓	53,925	-0.64%	54,270	53,925
Industrials	↓	111,647	-0.83%	112,577	111,647
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↓	17.85	-0.64%	17.97	17.84
N\$/Pound	↓	23.46	-0.41%	23.56	23.46
N\$/Euro	↓	19.79	-0.29%	19.84	19.77
US dollar/ Euro	↑	1.108	0.35%	1.104	1.108
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>Aug 24</b>	<b>Jul 24</b>	<b>Aug 24</b>	<b>Jul 24</b>
Central Bank Rate	↓	7.50	7.75	8.25	8.25
Prime Rate	↓	11.25	11.50	11.75	11.75
		<b>Jul 24</b>	<b>Jun 24</b>	<b>Jul 24</b>	<b>Jun 24</b>
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.*



---

**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**