



The Daily Brief

 Capricorn Asset Management

Market Update

Monday, 10 February 2025

Global Markets

Asian shares dithered and the dollar edged higher on Monday after U.S. President Donald Trump warned more tariffs were imminent including on steel and aluminium, an inflationary move that could limit the scope for rate cuts. Speaking to reporters on Air Force One, Trump said he would announce on Monday 25% tariffs on all steel and aluminium imports into the U.S. and reveal other reciprocal tariffs on Tuesday or Wednesday. The comments came just after German Chancellor Olaf Scholz said the European Union was ready to respond "within an hour" if the U.S. levied tariffs on European goods, highlighting the risks of an escalating trade war.

China's retaliatory tariffs on some U.S. exports are due to take effect on Monday, with no sign as yet of progress between Beijing and Washington. "These could be a strategic negotiating tool for President Trump or the beginning of a prolonged trade war," said Stephen Dover, head of the Franklin Templeton Institute. "Nearly half of U.S. imports serve as inputs for domestic companies, meaning businesses will either have to pass higher costs to consumers, absorb lower margins or adjust supply chains entirely." Analysts assume currencies from those countries targeted by Trump will tend to fall against the dollar to help compensate in part for the taxes, keeping their exports competitive. Tariffs could also put upward pressure on U.S. inflation and further limit room for the Federal Reserve to ease policy.

Markets had already scaled back expected rate cuts this year to just 36 basis points, from around 42 basis points, following an upbeat payrolls report on Friday. Fed Chair Jerome Powell is due to appear before the House of Representatives on Tuesday and Wednesday and the impact of tariffs on policy is sure to be a hot-button issue. His Wednesday testimony will also follow consumer price data for January which might hint at early pressure given anecdotal evidence of firms raising prices in anticipation of the taxes. A survey of consumers out on Friday showed a sharp rise in inflation expectations for the year ahead, though the longer-term outlook was steadier.

MSCI's broadest index of Asia-Pacific shares outside Japan lost 0.3%, while Japan's Nikkei inched up 0.1%. South Korea's main index fell 0.1%, led by losses in steel makers. Chinese blue chips were little changed, with worries about deflation soothed by data showing consumer inflation accelerated to its fastest in five months in January. Beijing again set a firm fix for its yuan currency, but it still eased to a three-week low around 7.3078. EUROSTOXX 50 futures added 0.2%, as did FTSE futures, while DAX futures rose 0.1%.

Wall Street futures started lower but soon rallied as investors looked ahead to another busy week of earnings. S&P 500 futures firmed 0.3%, while Nasdaq futures added 0.5%. Shares were roiled by

some mixed earnings numbers last week, though overall earnings per share growth is running at 12% and above early expectations of 8%. "Tariffs are a key downside risk to our 2025 EPS forecasts," warned analysts at Goldman Sachs, who estimated that the effective U.S. tariff rate would likely rise by five percentage points, knocking 1% to 2% off earnings per share. "Heightened policy uncertainty represents downside risk to valuation because it raises the equity risk premium and implies downward pressure on fair value," they said in a note. The risk of reigniting inflation also slugged Treasuries and yields on 10-year notes were at 4.490%, from last week's low of 4.400%.

Investors reacted by pushing the dollar higher, with its index firm at 108.265. The euro dipped 0.1% to \$1.0315, while the trade-exposed Australian dollar eased to \$0.6270. The dollar bounced 0.3% on the yen to 151.87, regaining some of the ground recently lost to speculation the Bank of Japan will raise rates in the next few months.

The strength of the dollar and higher yields have not prevented gold prices from reaching record highs at \$2,886 an ounce, helped in part by talk Trump might impose tariffs on the metal. This has led to stepped up demand for physical gold in London to be shipped to the U.S. to avoid any new taxes, reflected by selling of LME gold futures to buy Comex futures. Gold was up 0.5% at \$2,876 per ounce on Monday.

Oil prices have not fared so well given worries a trade war will hurt global economic growth and thus demand for energy. Still, the market was due a bounce after three weeks of losses and Brent rallied 51 cents to \$75.17, while U.S. crude rose 45 cents to \$71.45 per barrel.

Source: LSEG Thomson Reuters Refinitiv.

Domestic Markets

South Africa's rand firmed on Friday after President Cyril Ramaphosa said his government would launch a second wave of reforms to try to boost economic growth. At 1531 GMT, the rand traded at 18.37 against the U.S. dollar, about 0.3% firmer than its previous close. The rand has gained about 1.8% since its close last Friday.

Ramaphosa, in his annual State of the Nation Address (SONA) on Thursday, promised reforms aimed at lifting South Africa's growth above 3%, by boosting struggling state companies like power utility Eskom and logistics group Transnet and investing in infrastructure. "The one thing the SONA did not do was weaken the ZAR. On the contrary, it has been a very strong week for the ZAR," said ETM Analytics in a research note."

The rand tumbled on Monday, but managed to stage a recovery, after U.S. President Donald Trump said he would cut off funding for South Africa because he said, without citing evidence, that the country was confiscating land. Ramaphosa said on Thursday that his country "will not be bullied".

On the stock market, the Top-40 index closed about 0.5% higher.

South Africa's benchmark 2030 government bond was weaker, with the yield up 1.5 basis points to 9.065%.

Source: LSEG Thomson Reuters Refinitiv.

The real tragedy of the poor is the poverty of their aspirations.

Adam Smith

Market Overview

MARKET INDICATORS (Bloomberg)

10 February 2025

		Last Close	Change	Prev Close	Current Spot
Money Market TB's					
3 months	↓	7.76	-0.064	7.82	7.76
6 months	↓	7.83	-0.044	7.88	7.83
9 months	↓	7.84	-0.025	7.86	7.84
12 months	↓	7.88	-0.025	7.90	7.88
Nominal Bonds					
		Last Close	Change	Prev Close	Current Spot
GC25 (Coupon 8.50%, BMK: R186)	↓	7.52	-0.021	7.54	7.51
GC26 (Coupon 8.50%, BMK: R186)	↓	8.37	-0.004	8.38	8.37
GC27 (Coupon 8.00%, BMK: R186)	↓	8.73	-0.002	8.73	8.73
GC30 (Coupon 8.00%, BMK: R2030)	↑	9.12	0.003	9.12	9.12
GC32 (Coupon 9.00%, BMK: R213)	↑	9.91	0.005	9.91	9.91
GC35 (Coupon 9.50%, BMK: R209)	↑	10.88	0.001	10.88	10.88
GC37 (Coupon 9.50%, BMK: R2037)	↓	11.15	-0.002	11.15	11.15
GC40 (Coupon 9.80%, BMK: R214)	↓	11.46	-0.004	11.46	11.46
GC43 (Coupon 10.00%, BMK: R2044)	↓	11.40	-0.003	11.40	11.40
GC45 (Coupon 9.85%, BMK: R2044)	↓	11.57	-0.016	11.58	11.55
GC50 (Coupon 10.25%, BMK: R2048)	↓	11.59	-0.001	11.59	11.58
Inflation-Linked Bonds					
		Last Close	Change	Prev Close	Current Spot
GI25 (Coupon 3.80%, BMK: NCPI)	↓	3.31	-0.010	3.32	3.31
GI27 (Coupon 4.00%, BMK: NCPI)	↑	4.19	0.003	4.19	4.19
GI29 (Coupon 4.50%, BMK: NCPI)	↓	4.70	-0.004	4.71	4.70
GI33 (Coupon 4.50%, BMK: NCPI)	↓	5.29	-0.002	5.29	5.29
GI36 (Coupon 4.80%, BMK: NCPI)	↑	5.68	0.000	5.68	5.68
Commodities					
		Last Close	Change	Prev Close	Current Spot
Gold	↑	2,861	0.17%	2,856	2,891
Platinum	↓	978	-1.16%	990	984
Brent Crude	↑	74.7	0.50%	74.29	75.06
Main Indices					
		Last Close	Change	Prev Close	Current Spot
NSX Local Index	↑	1045	0.29%	1042	1045
JSE All Share	↑	87,474	0.32%	87,191	87,474
S&P 500	↓	6,026	-0.95%	6,084	6,026
FTSE 100	↓	8,701	-0.30%	8,727	8,701
Hangseng	↑	21,483	1.65%	21,134	21,483
DAX	↓	21,787	-0.53%	21,902	21,787
JSE Sectors					
		Last Close	Change	Prev Close	Current Spot
Financials	→	20,361	0.00%	20,361	20,513
Resources	→	63,012	0.00%	63,012	62,990
Industrials	→	121,280	0.00%	121,280	121,671
Forex					
		Last Close	Change	Prev Close	Current Spot
N\$/US Dollar	↓	18.40	-0.22%	18.44	18.49
N\$/Pound	↓	22.82	-0.48%	22.93	22.94
N\$/Euro	↓	19.02	-0.63%	19.14	19.08
US Dollar/ Euro	↓	1.033	-0.67%	1.04	1.03
Interest Rates & Inflation					
		Namibia		RSA	
		Dec-24	Nov-24	Jan-25	Nov-24
Central Bank Rate	↓	7.00	7.25	7.50	7.75
Prime Rate	↓	10.75	11	11.00	11.25
		Jan-25	Dec-24	Jan-25	Nov-24
Inflation	↓	3.2	3.4	3.0	2.9

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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