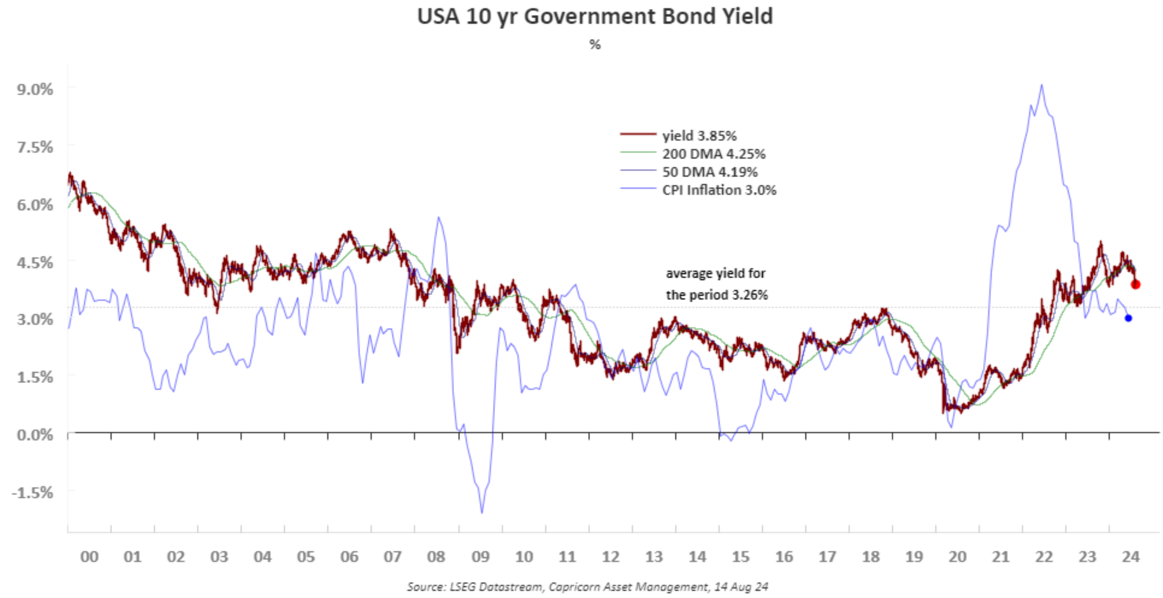
Market Update

Wednesday, 14 Aug 2024



Global Markets

Stocks jumped, and bond yields fell on Tuesday after data showed U.S. producer prices increased less than expected in July, reinforcing market expectations that cooling inflation would allow the Federal Reserve to cut interest rates soon. The producer price index for final demand gained 0.1% last month after rising by an unrevised 0.2% in June, the Labor Department's Bureau of Labor Statistics said on Tuesday. Economists polled by Reuters had forecast the PPI gaining 0.2%. "The muted 0.1% month-on-month increase in final demand PPI and unchanged core PPI for July is not quite as good as it looks, but it is nevertheless consistent with the Fed's preferred core PCE prices measure increasing at a below-2% annualised pace," said Paul Ashworth, the chief economist in North America at Capital Economics. Hopes that rate cuts are in the offing underpinned gains on Wall Street. The S&P 500 jumped 1.7%, the Dow Jones Industrial Average added 1% and the Nasdaq Composite climbed 2.4%. MSCI's gauge of stocks across the globe jumped 1.5%. In line with speculation of monetary policy easing, Treasury yields fell. The benchmark 10-year Treasury yield slipped to 3.8484%, while the two-year Treasury yield fell to 3.9398%.

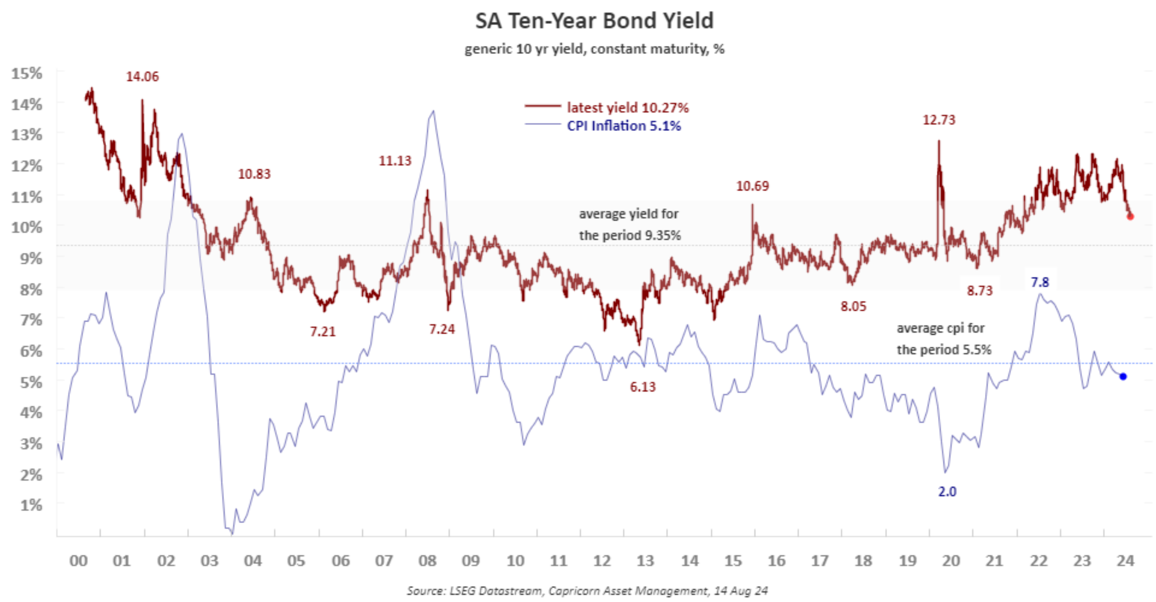
Europe's STOXX 600 index gained 0.5%, while Japan's Nikkei jumped more than 3% following a holiday on Monday, a welcome relief after last week's wild swings that began with a massive selloff spurred by a rising yen and fears of a U.S. recession. "While aftershocks might reveal vulnerabilities, we continue to view recent volatility as being an equivalent of a 'heart palpitation' not a 'cardiac arrest, " Viktor Shvets, head of global desk strategy at Macquarie Capital, said in a note. "We also maintain that the nervousness about a U.S. slowdown is overdone."

The yen was firmer against the dollar at 146.77 per dollar, having touched a seven-month high of 141.675 on Monday last week, a far cry from the 38-year lows of 161.96 it was rooted to at the start of July. A Bank of Japan rate rise last month following bouts of intervention from Tokyo earlier in July wrong-footed investors and led them to bail out of popular carry trades, which use the currency of a low-rate market to fund investments with higher returns. The latest weekly data to Aug. 6 showed that leveraged funds - typically hedge funds and various types of money managers - closed their positions in the yen at the quickest rate since March 2011. Given the yen's recent rally, the dollar-yen is now more in sync with its yield differential, according to Karsten Junius, chief economist at Bank J. Safra Sarasin. "Another wave of the yen-funded carry trade unwind will likely push the yen still somewhat higher towards year-end. Yet we do not expect USD-JPY to fall meaningfully below 140," he said. The dollar index, which measures the U.S. currency against six others, dipped 0.49% to 102.58. The euro rose 0.6% to $1.09968, while sterling was up 0.8% at $1.28670.

Data this week could sharpen views on the Federal Reserve's next move. Markets are currently evenly split between a 25 basis-point cut or a 50-bp cut at the next meeting in September. Traders are pricing in 100 bps of cuts this year. Surprisingly, soft payrolls data kicked off the market meltdown at the start of last week but strong U.S. data since then has eased slowdown fears. Any hints of soft inflationary pressures could cause financial markets to double down on wagers the Fed will sharply cut rates this year, which would weigh on the dollar, said Kristina Clifton, a senior economist at Commonwealth Bank of Australia. U.S. consumer price index data for July is due on Wednesday and is expected to show month-on-month inflation ticked up to 0.2%. Retail sales data is scheduled for Thursday. Euro zone bond yields were little changed. Germany's 10-year yield, the benchmark for the euro zone, fell to 2.188%. It hit its lowest since January at 2.074% last week.

In commodities, Brent crude futures fell 1.9% to $80.78 a barrel, while U.S. West Texas Intermediate crude futures slipped 2% to $78.46 a barrel. Brent had gained more than 3% on Monday, while U.S. crude futures had risen more than 4%.

Source: LSEG Thomson Reuters Refinitiv.



Domestic Markets

The South African rand gained against a weaker dollar on Tuesday, shrugging off lacklustre domestic mining and unemployment data. At 1511 GMT, the rand traded at 18.1450 against the U.S. dollar, about 0.55% stronger than its closing level on Monday. The was last trading down about 0.2% against a basket of currencies after data showed U.S. producer prices increased less than expected in July.

On the domestic front, economists said the outlook for South Africa's job market remained uncertain despite economic conditions improving since the start of the year. South Africa's official unemployment rate rose for the third quarter in a row, reaching 33.5% in April-June of this year, Statistics South Africa data showed. "A more meaningful recovery is likely to occur next year as inflation dips towards 4.5% and the (central bank) reduces interest rates more significantly, creating space for faster growth in domestic demand and job creation," Nedbank economists said in a research note. South Africa's total mining output fell 3.5% year-on-year in June compared with a revised increase of 1.3% in May, data showed.

On the stock market, the Top-40 index closed up over 0.5%. South Africa's benchmark 2030 government bond was stronger, with the yield down 9.5 basis points to 9.265%.

Source: LSEG Thomson Reuters Refinitiv.

Happiness is a direction, not a place.

Sydney J. Harris

Market Overview

MARKET INDICATORS (LSEG Thomson Reuters Refinitiv)					14 August 2024
Money Market TB Rates %		**Last close**	**Difference**	**Prev close**	**Current Spot**
3 months	➔	8.40	0.000	8.40	8.40
6 months	⬇	8.55	-0.008	8.56	8.55
9 months	⬇	8.56	-0.017	8.58	8.56
12 months	⬇	8.44	-0.025	8.46	8.44
Nominal Bond Yields %		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC24 (Coupon 10.50%, BMK R186)	⬇	9.11	-0.080	9.19	9.10
GC25 (Coupon 8.50%, BMK R186)	⬇	9.01	-0.080	9.09	9.00
GC26 (Coupon 8.50%, BMK R186)	⬇	8.21	-0.080	8.29	8.20
GC27 (Coupon 8.00%, BMK R186)	⬇	8.57	-0.080	8.65	8.56
GC28 (Coupon 8.50%, BMK R2030)	⬇	8.72	-0.095	8.81	8.72
GC30 (Coupon 8.00%, BMK R2030)	⬇	8.94	-0.095	9.03	8.94
GC32 (Coupon 9.00%, BMK R213)	⬇	9.51	-0.110	9.62	9.51
GC35 (Coupon 9.50%, BMK R209)	⬇	10.30	-0.110	10.41	10.30
GC37 (Coupon 9.50%, BMK R2037)	⬇	10.90	-0.110	11.01	10.90
GC40 (Coupon 9.80%, BMK R214)	⬇	11.57	-0.120	11.69	11.55
GC43 (Coupon 10.00%, BMK R2044)	⬇	11.73	-0.115	11.84	11.73
GC45 (Coupon 9.85%, BMK R2044)	⬇	12.08	-0.115	12.19	12.08
GC48 (Coupon 10.00%, BMK R2048)	⬇	11.97	-0.110	12.08	11.97
GC50 (Coupon 10.25%, BMK: R2048)	⬇	12.02	-0.110	12.13	12.02
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	⬇	2,465	-0.29%	2,472	2,461
Platinum	⬇	936	-0.04%	937	929
Brent Crude	⬇	80.7	-1.96%	82.3	81.2
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	⬆	1,762	0.06%	1,761	1,762
JSE All Share	⬆	80,956	0.49%	80,561	80,956
SP500	⬆	5,434	1.68%	5,344	5,434
FTSE 100	⬆	8,235	0.30%	8,210	8,235
Hangseng	⬆	17,174	0.36%	17,112	17,073
DAX	⬆	17,812	0.48%	17,726	17,812
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	⬆	19,461	0.90%	19,288	19,461
Resources	⬆	58,164	0.66%	57,784	58,164
Industrials	⬆	110,133	0.11%	110,014	110,133
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	⬇	18.10	-0.80%	18.25	18.11
N$/Pound	⬇	23.27	-0.08%	23.29	23.29
N$/Euro	⬇	19.89	-0.26%	19.94	19.91
US dollar/ Euro	⬆	1.099	0.56%	1.093	1.099
		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
		Jul 24	**Jun 24**	**Jun 24**	**May 24**
Inflation	➔	4.6	4.6	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 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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