

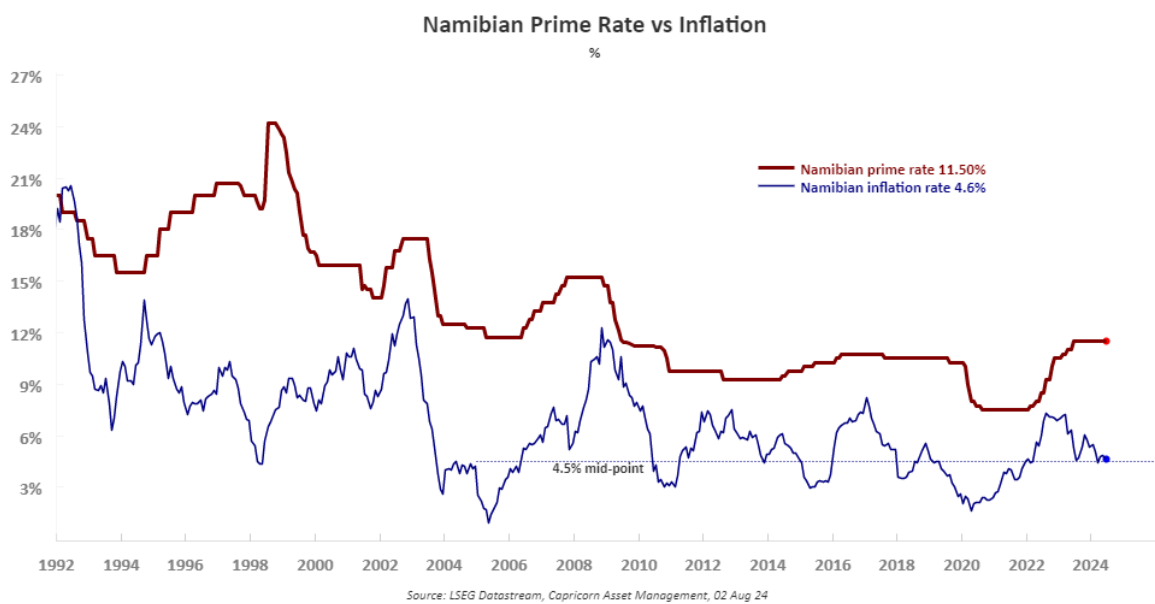


# The Daily Brief

 Capricorn Asset Management

## Market Update

Friday, 02 Aug 2024



## Global Markets

Global equities turned lower on Thursday as U.S. manufacturing data dragged and financial stocks in Europe saw their biggest one-day rout since March 2023. Treasury yields also fell on the soft economic data, as well as a rate cut in the UK and the prospect of policy easing in the United States. MSCI's gauge of stocks across the globe fell 11.15 points, or 1.37%, to 803.01 by 1:13 p.m. ET (1713 GMT) Oil futures gave back earlier gains, as global supply seemed largely unaffected by worries of a broadening Middle East crisis.

The Federal Reserve held interest rates steady on Wednesday but opened the door to a cut in September. The Bank of England stole a march on the U.S. central bank on Thursday by lowering borrowing costs by a quarter-point in a narrow 5-4 vote. The U.S. Institute for Supply Management's (ISM) manufacturing PMI dropped to its lowest since November, below a key level that indicates contraction in a sector that accounts for more than 10% of the economy. The data suggests the economy might be in worse shape than expected, said Robert Pavlik, senior portfolio manager at Dakota Wealth. "And (Federal Reserve Chair) Powell's still on hold with rate cuts, so that's gotten them concerned."

On Wall Street, the Dow Jones Industrial Average fell 553.80 points, or 1.36%, to 40,288.99, the S&P 500 lost 76.79 points, or 1.39%, to 5,445.51 and the Nasdaq Composite lost 388.86 points, or 2.21%, to 17,210.54. Tech giants Apple and Amazon.com will report earnings later on Thursday. Europe's

STOXX 600 index closed more than 1% lower with the banking sector seeing its largest one-day decline since March 2023. "The fact that some heavyweights are cutting guidance does not bode well going forward and might well explain why European markets are underperforming," said Stephane Ekolo, equity strategist at TFS Derivatives. "Disappointing set of results, slowing growth for industrials, Chinese consumers no longer there to rescue demand and a possible resurgence of inflation. You have a not so pleasant cocktail." Britain's FTSE 100 bucked the trend.

"If you look at the headlines that (BoE Governor Andrew) Bailey produced: caution on cutting too quickly or by too much, it implies to me that they're looking at a steady quarterly pace of reductions," said Colin Asher, economist at Mizuho. "I would say that makes a cut in the next meeting in September unlikely. The start of lower interest rates is underway, but reasonably gradually."

Emerging market stocks held onto gains, up 0.16% at 1,086.51. MSCI's broadest index of Asia-Pacific shares outside Japan closed 0.54% higher at 568.59. Japan's Nikkei, however, tumbled 2.5% as a sharp jump in the yen clouded the outlook for exporters. The Japanese yen rallied against the dollar to its strongest level since March, a day after the Bank of Japan raised interest rates for the second time in 17 years and signalled more tightening to come.

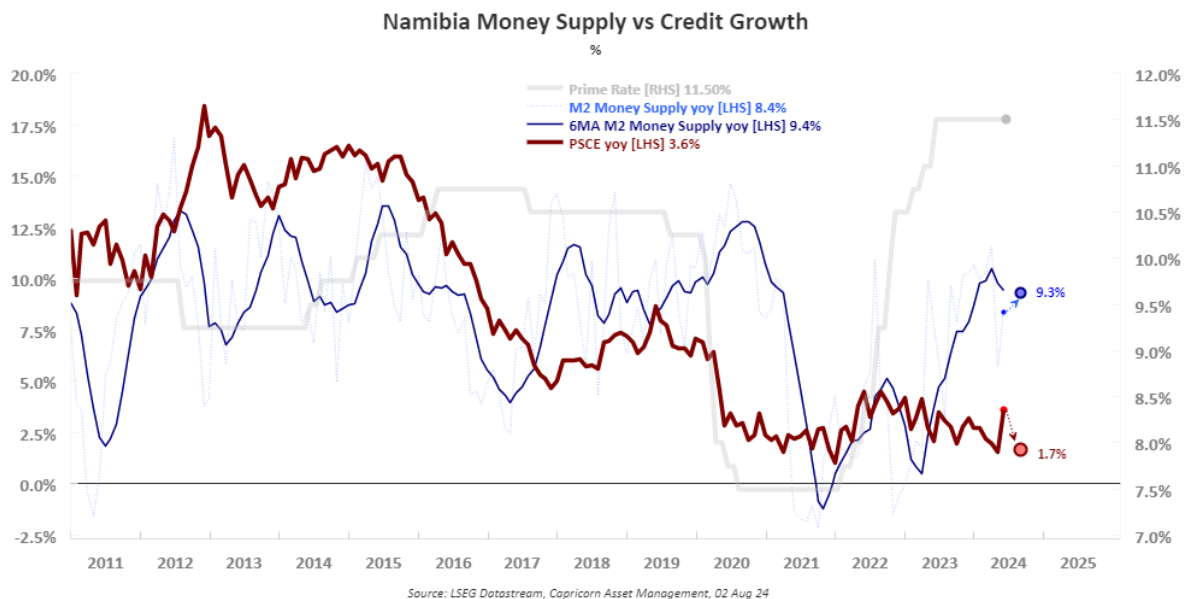
Eyes remained on the U.S. monetary policy outlook after Fed Chair Jerome Powell said policymakers had a "real discussion" about cutting at the July meeting. The central bank also said the risks to employment were now on a par with those of rising prices. "The statement was notable in that they removed the tightening bias and replaced it with a more neutral bias," said Jan von Gerich, chief analyst at Nordea. "It's early but the fact we haven't really seen the rally continue suggests that markets may be trying to catch some breath before tomorrow's (U.S.) payrolls report."

The yield on benchmark U.S. 10-year notes fell 11.9 basis points to 3.986%, from 4.105% late on Wednesday. Yields move inversely to prices.

After falling 0.4% on Wednesday, the dollar index which measures the greenback against a basket of currencies including the yen and the euro, gained 0.33% to 104.39.

In commodity markets, U.S. crude lost 1.09% to \$77.06 a barrel and Brent fell to \$80.16 per barrel, down 0.84% on the day. Spot gold was down 0.39% at \$2,438.60 an ounce.

**Source: LSEG Thomson Reuters Refinitiv.**



## Domestic Markets

South Africa's rand firmed on Thursday as investors bet on a September interest rate cut in the world's biggest economy after dovish comments by the U.S. Federal Reserve on Wednesday. At 1540 GMT, the rand traded at 18.20 against the dollar, about 0.1% stronger than its previous close.

"The rand traded below the R18.20 mark for most of the day, touching the R18.10 handle earlier. Across the board, other EM (emerging market) currencies have also firmed," said Wichard Cilliers, head of market risk at TreasuryONE. Fed Chair Jerome Powell said on Wednesday that interest 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. monetary policy in addition to local factors.

On the domestic front, South African manufacturing activity rose in July, a Purchasing Managers' Index (PMI) survey showed on Thursday, as both domestic and global demand picked up. On the stock market, the Top-40 index closed about 1.25% down. South Africa's benchmark 2030 government bond was stronger, with the yield down 6 basis points at 9.345%.

Source: LSEG Thomson Reuters Refinitiv.

Hope is patience with the lamp lit.

Tertullian

## Market Overview

MARKET INDICATORS (LSEG Thomson Reuters Refinitiv)				02 August 2024	
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	⇒	8.47	0.000	8.47	8.47
6 months	⇓	8.67	-0.017	8.69	8.67
9 months	⇓	8.69	-0.017	8.71	8.69
12 months	⇓	8.66	-0.050	8.71	8.66
<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)	⇓	9.11	-0.015	9.12	9.10
GC25 (Coupon 8.50%, BMK R186)	⇓	9.01	-0.015	9.02	9.00
GC26 (Coupon 8.50%, BMK R186)	⇓	8.33	-0.015	8.35	8.33
GC27 (Coupon 8.00%, BMK R186)	⇓	8.61	-0.015	8.63	8.61
GC28 (Coupon 8.50%, BMK R2030)	⇓	8.91	-0.060	8.97	8.90
GC30 (Coupon 8.00%, BMK R2030)	⇓	9.12	-0.060	9.18	9.11
GC32 (Coupon 9.00%, BMK R213)	⇓	9.52	-0.075	9.60	9.51
GC35 (Coupon 9.50%, BMK R209)	⇓	10.18	-0.070	10.25	10.17
GC37 (Coupon 9.50%, BMK R2037)	⇓	10.96	-0.055	11.02	10.95
GC40 (Coupon 9.80%, BMK R214)	⇓	11.47	-0.055	11.52	11.46
GC43 (Coupon 10.00%, BMK R2044)	⇓	11.63	-0.075	11.71	11.62
GC45 (Coupon 9.85%, BMK R2044)	⇓	11.99	-0.075	12.07	11.98
GC48 (Coupon 10.00%, BMK R2048)	⇓	12.00	-0.075	12.08	11.99
GC50 (Coupon 10.25%, BMK: R2048)	⇓	12.07	-0.075	12.15	12.06
<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	3.50
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
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	⇓	2,445	-0.11%	2,448	2,464
Platinum	⇓	959	-1.78%	976	972
Brent Crude	⇓	79.5	-1.49%	80.7	80.1
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	⇓	1,807	-1.22%	1,829	1,807
JSE All Share	⇓	81,869	-1.08%	82,765	81,869
SP500	⇓	5,447	-1.37%	5,522	5,447
FTSE 100	⇓	8,283	-1.01%	8,368	8,283
Hangseng	⇓	17,305	-0.23%	17,345	16,890
DAX	⇓	18,083	-2.30%	18,509	18,083
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	⇓	19,722	-0.59%	19,840	19,722
Resources	⇓	60,942	-2.33%	62,399	60,942
Industrials	⇓	108,946	-0.89%	109,921	108,946
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	⇑	18.27	0.42%	18.19	18.23
N\$/Pound	⇓	23.27	-0.50%	23.39	23.22
N\$/Euro	⇑	19.71	0.10%	19.69	19.69
US dollar/ Euro	⇓	1.079	-0.31%	1.083	1.080
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>Jul 24</b>	<b>Jun 24</b>	<b>Jul 24</b>	<b>Jun 24</b>
Central Bank Rate	⇒	7.75	7.75	8.25	8.25
Prime Rate	⇒	11.50	11.50	11.75	11.75
		<b>Jun 24</b>	<b>May 24</b>	<b>Jun 24</b>	<b>May 24</b>
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

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**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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**For enquiries concerning the Daily Brief please contact us at**

**[Daily.Brief@capricorn.com.na](mailto:Daily.Brief@capricorn.com.na)**

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