



The Daily Brief

Capricorn Asset Management

Market Update

Tuesday, 20 Aug 2024



Global Markets

Global stocks pushed higher and the dollar tipped lower on Monday, after shares surged last week on expectations the U.S. economy would dodge a recession and cooling inflation would spur interest rate cuts. On Wall Street, stocks added to their recent gains. The Dow Jones Industrial Average rose 0.58%, to 40,896, the S&P 500 gained 0.97%, to 5,608 and the Nasdaq Composite gained 1.39%, to 17,876. MSCI's broadest index of world stocks jumped by around 1%. The prospect of lower borrowing costs could not sustain gold's historic highs and the dollar dipped against the euro, while the yen lunged higher.

U.S. Federal Reserve members Mary Daly and Austan Goolsbee over the weekend flagged the possibility of easing in September, while minutes of the last policy meeting due this week should underline the dovish outlook. Fed Chair Jerome Powell speaks in Jackson Hole on Friday and investors assume he will acknowledge the case for a cut. "We expect the chairman to convey on Friday that the Fed is likely to begin easing monetary policy next month, without fully committing to the size of the rate cut," TD Securities analysts wrote in a note on Monday. Interest rate futures are fully priced for a quarter-point move, and imply a 25% chance of 50 basis points, with much depending on what the next payrolls report shows.

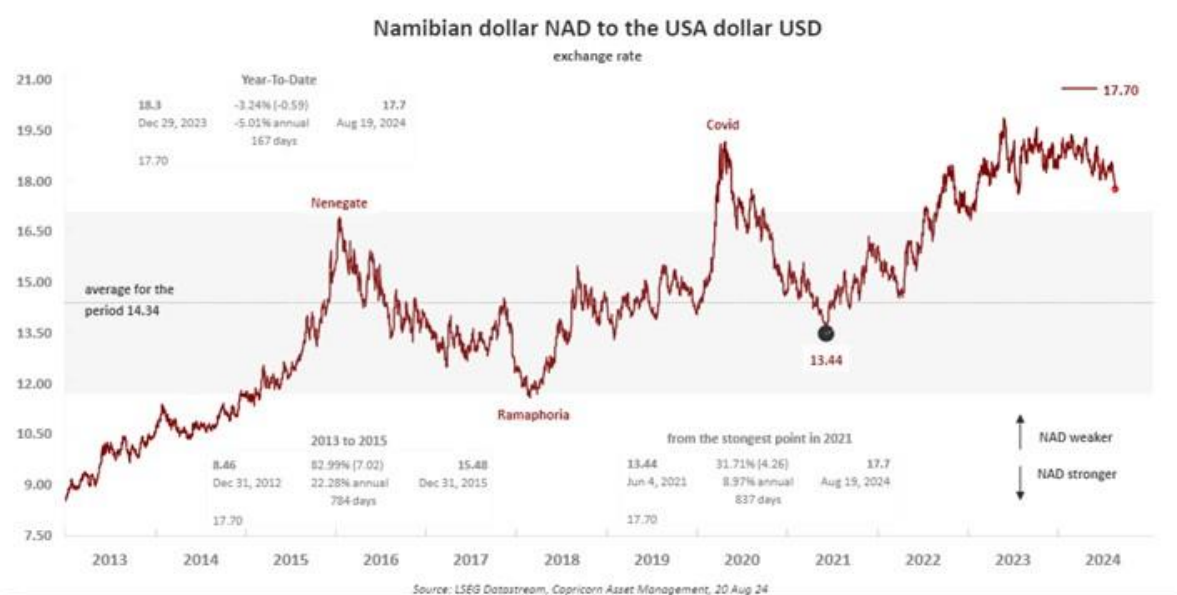
Yields on U.S. government debt eased on Monday; the yield on benchmark 10-year notes fell 1.9 basis points to 3.873%, from 3.892% late on Friday. Analysts at Goldman Sachs shifted down their U.S. recession expectations to a 20% chance and could push them lower if the August jobs report due in September "looks reasonably good," analysts said in a note on Friday.

Broad European shares moved about 0.6% higher, touching an over three-week high in broad-based market gains, while the blue-chip FTSE 100 index traded 0.55% higher. Investors are anticipating flash Purchasing Managers' Index (PMI) data for Britain, France, Germany and the Eurozone later this week. Earlier, the Nikkei index closed 1.77% lower at 37,388.62, snapping a five-day winning run that pushed it up 8.7% last week. Chinese blue chips closed about 0.3% higher.

In currency markets, the dollar fell to a seven-month low and the Japanese yen hit a more than one-week high as traders awaited the Fed's decision on interest rate cuts. The dollar lapsed 0.64% to 146.64 yen while the euro firmed to \$1.108, up about 0.5% and continuing its August climb. Even as markets have calmed, it is worth remembering that the economic fundamentals behind the global markets sell-off two weeks ago have not completely vanished, said Deutsche Bank macro strategist Henry Allen. "Economic data has been increasingly soft at a global level, falling inflation means that monetary policy is increasingly tight in real terms, geopolitical concerns are elevated, and we're heading into a tough period on a seasonal basis," said Allen in a note. A softer dollar combined with lower bond yields could not hold gold at its zenith and it fell to around \$2,505 an ounce, just down from its all-time peak of \$2,509.

Oil prices dipped as concerns about Chinese demand continued to weigh on sentiment. U.S. crude lost 2.9% to \$74.42 a barrel and Brent fell to \$77.79 per barrel, down 2.37% on the day.

Source: LSEG Thomson Reuters Refinitiv.



Domestic Markets

The South African rand strengthened to a nearly 13-month high on Monday, ahead of the release of domestic inflation data on Wednesday, which may provide hints on the country's future interest rate path. At 1519 GMT, the rand traded 0.7% firmer at 17.7375 against the dollar, a level not seen since late July 2023. The dollar was down 0.46% against a basket of global currencies. Like other risk-sensitive currencies, the rand often takes cues from global drivers, such as the U.S. monetary policy, in addition to local factors.

Investors will look to South Africa's July inflation figures on Wednesday for hints on the central bank's future interest rate path. "Investors will be watching closely at the number to see if inflation is softening enough for the central bank to begin cutting rates in September," said Rand Merchant Bank analysts in a research note. A Reuters poll found that economists expect the central bank to cut interest rates for the first time in more than two years on Sept. 19. This week, global markets will focus on the release of minutes from a Federal Reserve meeting and the Jackson Hole symposium of central bankers where Fed Chair Jerome Powell will give a speech.

On the stock market, the Top-40 index closed up 1.27%. South Africa's benchmark 2030 government bond firmed, as the yield slipped 4.5 basis points to 9.275%.

Source: LSEG Thomson Reuters Refinitiv.

Life is far too important a thing ever to talk seriously about.

Oscar Wilde

Market Overview

MARKET INDICATORS (LSEG Thomson Reuters Refinitiv)					20 August 2024	
Money Market TB Rates %			Last close	Difference	Prev close	Current Spot
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	0.025	8.41	8.25
Nominal Bond Yields %			Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	↓		9.10	-0.030	9.13	9.10
GC25 (Coupon 8.50%, BMK R186)	↓		9.00	-0.030	9.03	9.00
GC26 (Coupon 8.50%, BMK R186)	↓		8.17	-0.030	8.20	8.17
GC27 (Coupon 8.00%, BMK R186)	↓		8.47	-0.030	8.50	8.47
GC28 (Coupon 8.50%, BMK R2030)	↓		8.55	-0.045	8.60	8.55
GC30 (Coupon 8.00%, BMK R2030)	↓		8.77	-0.045	8.82	8.77
GC32 (Coupon 9.00%, BMK R213)	↓		9.32	-0.045	9.37	9.32
GC35 (Coupon 9.50%, BMK R209)	↓		10.06	-0.040	10.10	10.06
GC37 (Coupon 9.50%, BMK R2037)	↓		10.63	-0.045	10.67	10.63
GC40 (Coupon 9.80%, BMK R214)	↓		11.25	-0.040	11.29	11.25
GC43 (Coupon 10.00%, BMK R2044)	↓		11.41	-0.035	11.44	11.41
GC45 (Coupon 9.85%, BMK R2044)	↓		11.76	-0.035	11.79	11.76
GC48 (Coupon 10.00%, BMK R2048)	↓		11.66	-0.035	11.70	11.66
GC50 (Coupon 10.25%, BMK: R2048)	↓		11.71	-0.035	11.75	11.71
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	↓		2,504	-0.13%	2,507	2,501
Platinum	↓		954	-0.10%	954	955
Brent Crude	↓		77.7	-2.54%	79.7	77.0
Main Indices			Last close	Change	Prev close	Current Spot
NSX Overall Index			1,830		Bad Gateway	1,830
JSE All Share	↑		83,799	1.18%	82,824	83,799
SP500	↑		5,608	0.97%	5,554	5,608
FTSE 100	↑		8,357	0.55%	8,311	8,357
Hangseng	↑		17,570	0.80%	17,430	17,506
DAX	↑		18,422	0.54%	18,322	18,422
JSE Sectors			Last close	Change	Prev close	Current Spot
Financials	↑		20,518	1.41%	20,234	20,518
Resources	↑		60,315	2.34%	58,934	60,315
Industrials	↑		112,782	0.62%	112,092	112,782
Forex			Last close	Change	Prev close	Current Spot
N\$/US dollar	↓		17.70	-0.89%	17.86	17.74
N\$/Pound	↓		22.99	-0.53%	23.12	23.02
N\$/Euro	↓		19.62	-0.38%	19.69	19.65
US dollar/ Euro	↑		1.109	0.52%	1.103	1.108
			Namibia		RSA	
Interest Rates & Inflation			Aug 24	Jul 24	Aug 24	Jul 24
Central Bank Rate	↓		7.50	7.75	8.25	8.25
Prime Rate	↓		11.25	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 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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