



The Daily Brief

 Capricorn Asset Management

Market Update

Friday, 20 December 2024



Global Markets

Wall Street stumbled to a close Thursday, ending nearly flat after an earlier rally ran out of steam late in the session as investors continued to parse the Federal Reserve's hawkish outlook. The Dow Jones Industrial Average rose 15.37 points, or 0.04%, to 42,342.24, the S&P 500 fell 5.08 points, or 0.09%, to 5,867.08 and the Nasdaq Composite fell 19.93 points, or 0.10%, to 19,372.77. MSCI's gauge of stocks across the globe fell 3.70 points, or 0.44%, to 841.74.

The cautious note struck by the Fed's economic projections and the expected slowdown of rate cuts prompted the steepest U.S. stock selloff in months on Wednesday. "Those larger moves indicate that some investors are worried that (Fed Chair Jerome) Powell's comments suggest maybe the Fed is considering not cutting rates anymore," said Bill Merz, head of capital market research at U.S. Bank Wealth Management in Minneapolis. "You saw the market reacting to specific words that Jerome Powell delivered during the press conference, which emphasizes the point that there's a lot of speculation that occurs in real time, with investors trying to decipher what the Fed really means," Merz added.

Other central banks wrapped up an eventful year of rate decisions, with the central banks of England, Japan, Norway and Australia holding firm, and Switzerland and Canada implementing cuts of 50 basis points. Sweden's Riksbank reduced its policy rate by 25 bps, as did the European Central Bank last week.

On the economic front, an unexpected upward revision to third-quarter U.S. GDP, a dip in jobless claims and an upside surprise in existing home sales all underscored U.S. economic strength. "Generally speaking, what happened at the Fed was good news," said Thomas Martin, senior portfolio manager at GLOBALT in Atlanta. "They're on the job on inflation, the economy is strong, the final GDP number of 3.1% ain't bad."

European stocks took a dive, setting a course for their biggest percentage drop in five weeks as the Fed's hawkish signal sent investors fleeing riskier assets. The STOXX 600 index fell 1.51%, while Europe's broad FTSEurofirst 300 index fell 30.90 points, or 1.51%.

Emerging market stocks fell 12.45 points, or 1.14%, to 1,082.86. MSCI's broadest index of Asia-Pacific shares outside Japan closed lower by 1.41%, to 572.84, while Japan's Nikkei fell 268.13 points, or 0.69%, to 38,813.58.

Benchmark U.S. Treasury yields hit their highest level since May, crude prices dipped and gold advanced as investors grew accustomed to the reality that the central bank will take a slower, more measured approach to policy easing in the coming year. Yields on 10-year Treasuries jumped past 4.5% to the highest level since May and the yield curve steepened to its widest gap in more than two years in the face of the U.S. central bank's more measured approach to interest-rate cuts in the coming year. The yield on benchmark U.S. 10-year notes rose 7.2 basis points to 4.57%, from 4.498% late on Wednesday. The 30-year bond yield rose 8.6 basis points to 4.7456% from 4.66% late on Wednesday. The 2-year note yield, which typically moves in step with interest-rate expectations for the Federal Reserve, fell 4.1 basis points to 4.314%, from 4.355% late on Wednesday.

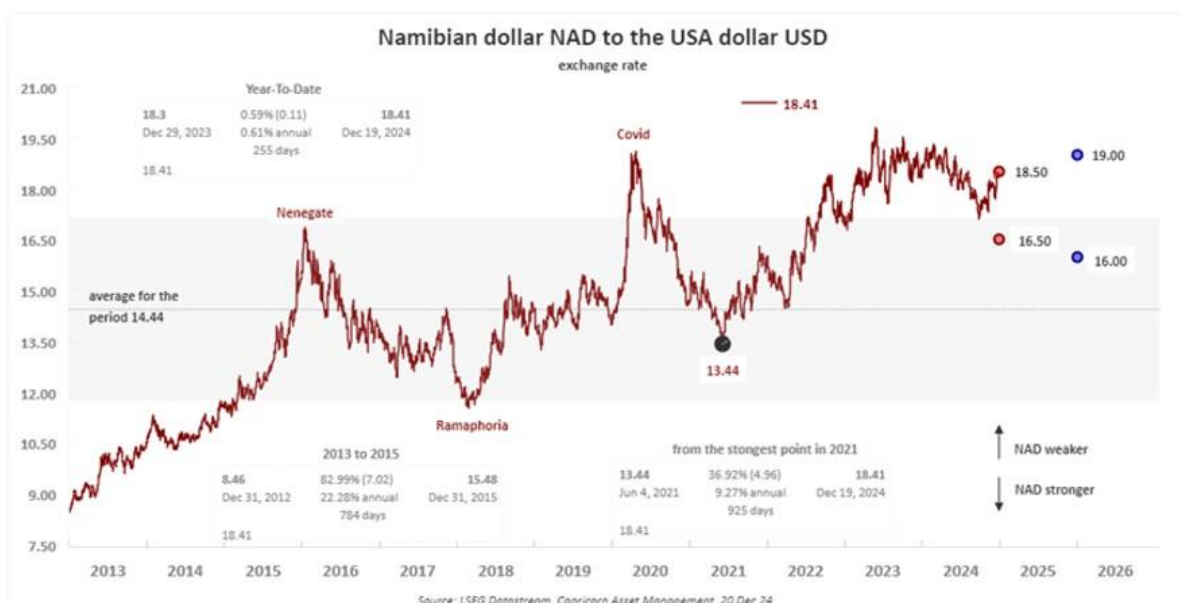
The dollar reversed an earlier pullback and was last nominally higher against a basket of world currencies stalled as the market digested the Fed's cooler approach to easing. The dollar index, which measures the greenback against a basket of currencies including the yen and the euro, rose 0.11% to 108.38, with the euro up 0.12% at \$1.0364. Against the Japanese yen, the dollar strengthened 1.69% to 157.41.

Bitcoin extended its selloff in the aftermath of Wednesday's Fed decision. In cryptocurrencies, bitcoin fell 5.07% to \$95,811.00. Ethereum declined 9.13% to \$3,352.50.

Oil lost ground as central bankers in the U.S., Europe and Asia sounded notes of caution over easing monetary policy, raising worries over dampening global demand. U.S. crude fell 0.95% to \$69.91 per barrel, while Brent settled at \$72.88 per barrel, down 0.69% on the day.

Gold advanced but pared earlier gains after U.S. economic data reinforced expectations that the Fed will take a cautious approach to monetary policy in the coming year. Spot gold rose 0.35% to \$2,596.60 an ounce. U.S. gold futures fell 1.69% to \$2,592.00 an ounce.

Source: LSEG Thomson Reuters Refinitiv.



Domestic Markets

South Africa's rand slipped on Thursday, a day after the Federal Reserve struck a hawkish tone on interest rate cuts in the coming year. At 1510 GMT, the rand traded at 18.37 against the dollar, about 0.3% weaker than its previous close.

The U.S. central bank cut interest rates on Wednesday, but Fed Chair Jerome Powell said further reductions in borrowing costs hinged on more progress in lowering high inflation, sending the dollar to a near two-year high. Like most emerging market currencies, the rand took a hit, ending Wednesday more than 1% lower. It made a slight recovery in the morning session before weakening again.

On the stock market, the Top-40 index closed about 1.4% lower.

South Africa's benchmark 2030 government bond also slipped, with the yield up 9 basis points to 9.115%.

Source: LSEG Thomson Reuters Refinitiv.

The place where you made your stand never mattered. Only that you were there... and still on your feet.

Stephen King

Market Overview

MARKET INDICATORS (LSEG Thomson Reuters Refinitiv)		20 December 2024			
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	➡	8.04	0.000	8.04	8.05
6 months	⬆	7.98	0.008	7.97	8.02
9 months	⬆	8.00	0.008	7.99	8.09
12 months	⬆	7.99	0.033	7.96	8.08
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC25 (Coupon 8.50%, BMK R186)	⬆	8.24	0.040	8.20	8.10
GC26 (Coupon 8.50%, BMK R186)	⬆	8.24	0.040	8.20	8.10
GC27 (Coupon 8.00%, BMK R186)	⬆	8.68	0.040	8.64	8.54
GC28 (Coupon 8.50%, BMK R2030)	⬆	9.02	0.090	8.93	8.84
GC30 (Coupon 8.00%, BMK R2030)	⬆	8.98	0.090	8.89	8.80
GC32 (Coupon 9.00%, BMK R213)	⬆	9.82	0.075	9.74	9.65
GC35 (Coupon 9.50%, BMK R209)	⬆	10.81	0.070	10.74	10.53
GC37 (Coupon 9.50%, BMK R2037)	⬆	11.03	0.070	10.96	10.77
GC40 (Coupon 9.80%, BMK R214)	⬆	11.41	0.070	11.34	11.09
GC43 (Coupon 10.00%, BMK R2044)	⬆	11.51	0.055	11.45	11.19
GC45 (Coupon 9.85%, BMK R2044)	⬆	11.61	0.055	11.55	11.29
GC48 (Coupon 10.00%, BMK R2048)	⬆	11.55	0.065	11.48	11.22
GC50 (Coupon 10.25%, BMK: R2048)	⬆	11.48	0.065	11.41	11.15
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	4.49
GI29 (Coupon 4.50%, BMK NCPI)	➡	4.97	0.000	4.97	4.65
GI33 (Coupon 4.50%, BMK NCPI)	➡	5.62	0.000	5.62	5.24
GI36 (Coupon 4.80%, BMK NCPI)	➡	6.07	0.000	6.07	5.68
Commodities		Last close	Change	Prev close	Current Spot
Gold	⬆	2,594	0.24%	2,588	2,662
Platinum	⬆	924	0.46%	919	941
Brent Crude	⬇	72.9	-0.69%	73.4	73.3
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬇	1,801	-1.70%	1,832	1,846
JSE All Share	⬇	84,465	-1.33%	85,600	84,787
SP500	⬇	5,867	-0.09%	5,872	5,999
FTSE 100	⬇	8,105	-1.14%	8,199	8,281
Hangseng	⬇	19,753	-0.56%	19,865	19,382
DAX	⬇	19,970	-1.35%	20,243	19,426
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬇	20,788	-1.62%	21,129	21,095
Resources	⬇	52,772	-1.68%	53,674	55,026
Industrials	⬇	119,032	-0.95%	120,176	116,475
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬆	18.38	0.34%	18.32	18.37
N\$/Pound	⬇	23.01	-0.22%	23.06	22.96
N\$/Euro	⬆	19.07	0.46%	18.99	19.09
US dollar/ Euro	⬆	1.036	0.10%	1.035	1.058
Interest Rates & Inflation		Namibia		RSA	
		Dec 24	Nov 24	Dec 24	Nov 24
Central Bank Rate	⬇	7.00	7.25	7.75	7.75
Prime Rate	⬇	10.75	11.00	11.25	11.25
		Nov 24	Oct 24	Nov 24	Oct 24
Inflation	➡	3.0	3.0	2.9	2.8

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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