

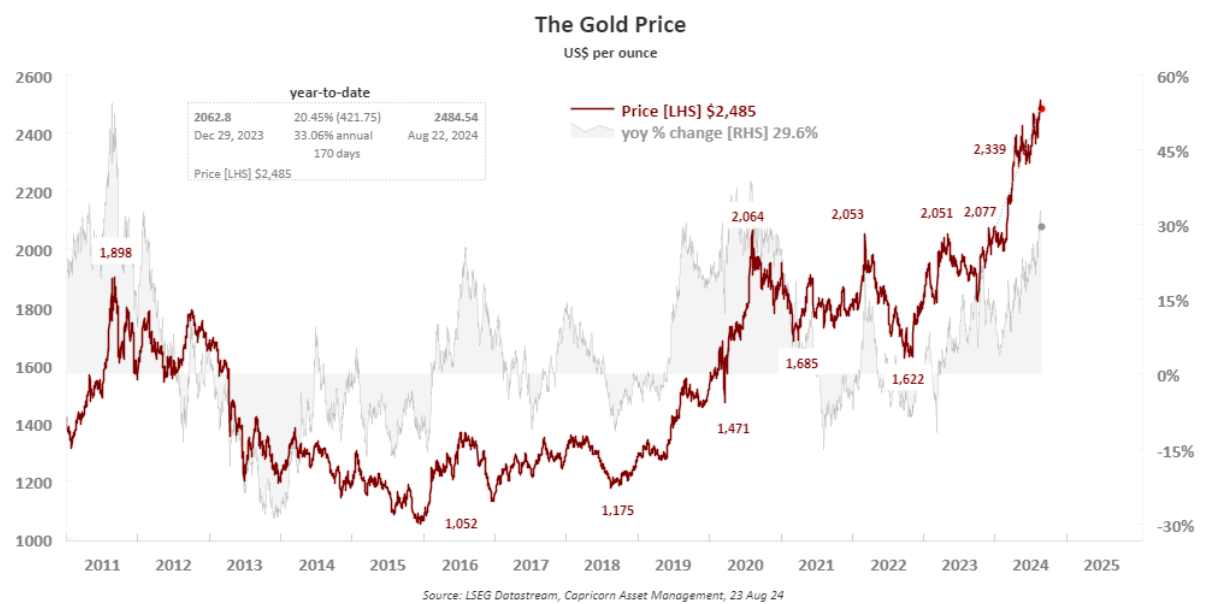


The Daily Brief

 Capricorn Asset Management

Market Update

Friday, 23 Aug 2024



Global Markets

Stocks fell and the dollar gained on Thursday as traders digested fresh economic data and awaited confirmation from the U.S. Federal Reserve on Friday that it will soon start to cut interest rates. All three major U.S. stock indexes lost ground, weighed by technology shares. The Dow Jones Industrial Average fell 0.43%, to 40,712, the S&P 500 lost 0.89%, to 5,570 and the Nasdaq Composite lost 1.67%, to 17,619. Fed meeting minutes, released on Wednesday, said the "vast majority" of policymakers felt that, if data came in as expected, a September cut was likely to be appropriate - validating market expectations.

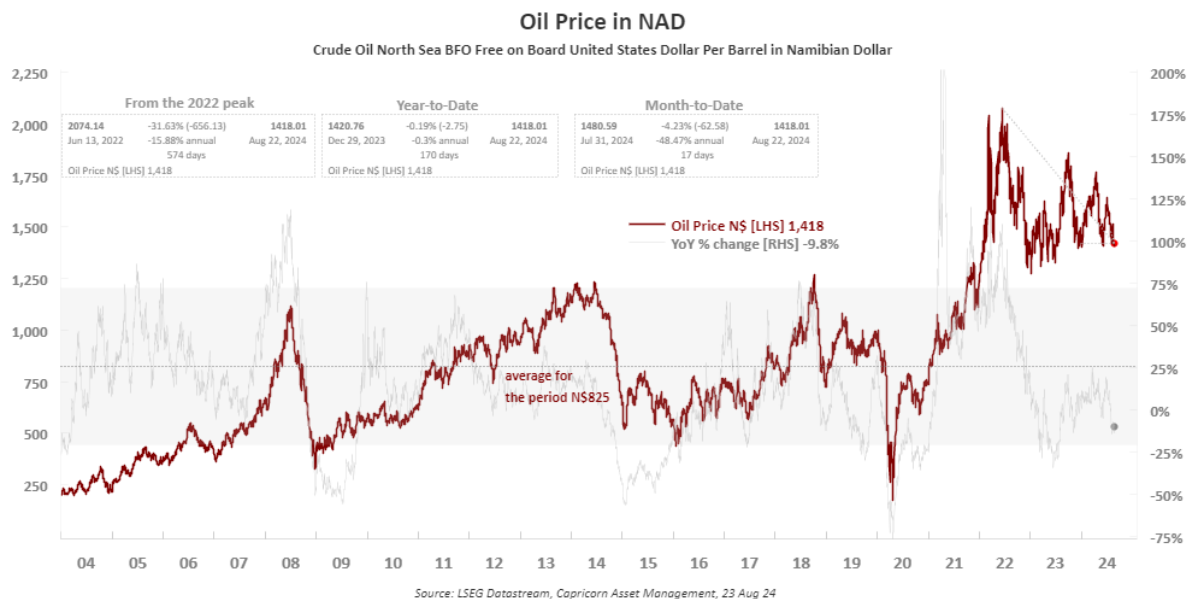
On Thursday, fresh data showed the number of Americans filing new applications for unemployment benefits rose in the latest week, consistent with a gradual cooling of the labour market. A slowdown in overall U.S. business activity this month added to the evidence that the economy is slowing and inflation is downshifting, which should allow Fed officials to focus more attention on jobs. Interest rates on home loans have already begun dropping, helping fuel a larger-than-expected rebound in existing home sales last month. Steve Englander, a markets strategist for Standard Chartered Bank, said the minutes showed the Fed was in sight of its inflation target and unemployment is rising, putting a 50 bps rate cut "on the table". "If they are not announcing that they have won on inflation, they are saying they expect to win relatively soon," Englander wrote in an email on Thursday.

Global stocks after a phenomenal rebound from early-month lows plumbled after a bout of volatility, fell about 0.6%. European shares gained 0.35%, helped by retail and healthcare stocks, after a subdued trading session in Asia. They added to initial gains after data for the euro zone showed surprising strength in business activity this month. Earlier, MSCI's broadest index of Asia-Pacific shares outside Japan gained 0.3%. Euro zone bond yields were higher after survey data showed the bloc's services sector fared better than expected in August, although a separate measure of wage pressures eased.

The dollar rebounded from a 13-month low against the euro before Federal Reserve Chair Jerome Powell is due to speak on Friday. The greenback's recent weakness was seen as being overdone. The dollar index, gained about 0.4%. Lower U.S. rates would give central banks around the world room to move. On Thursday, the Bank of Korea opened the door to a cut in October, while Bank Indonesia has lined up cuts in the fourth quarter. Still, rates and currency markets see a U.S. easing cycle as having further to run than other countries. In Britain, the pound initially rose to a new 13-month high on the dollar and strengthened against the euro after British business activity data showed steady growth momentum going into the second half of 2024. The pound was last little changed at \$1.3086.

Interest rate futures markets have priced in a 25-basis-point cut from the Fed next month, with a chance of a 50-bp cut. They project around 213 bps of U.S. easing by the end of 2025, to a rate of nearly 3.2%, against around 157 bps for Europe, a 2.09% rate. U.S. Treasury yields recovered from two-week lows hit the previous session, in line with gains in the European bond market. The yield on benchmark 10-year notes rose 8.6 basis points to 3.862%, from 3.776% late on Wednesday. The 2-year note yield rose 9.4 basis points to 4.0161%, from 3.922% late on Wednesday. The euro, which has made strong gains this month, fell about 0.4%.

Oil prices rallied after losses driven by investors worried about the global demand outlook. U.S. crude and Brent both gained about 1.4% on the day. Gold prices fell more than 1%, pressured by a rebound in the dollar and higher Treasury yields. **Source: LSEG Thomson Reuters Refinitiv.**



Domestic Markets

The South African rand slipped against a stronger dollar on Thursday as investors awaited Federal Reserve Chair Jerome Powell's speech for hints on the future interest rate path of the world's biggest economy. At 1530 GMT, the rand traded at 18.01 against the dollar, about 1% weaker than its previous close. The dollar index was last trading up about 0.37% against a basket of currencies. Like other risk-sensitive currencies, the rand often takes cues from global drivers like U.S. monetary policy in the absence of major local factors.

The Jackson Hole Economic Symposium of global central bankers in Wyoming starts on Thursday, with Powell set to speak on Friday. "The all-important speech... will give an important idea of how the interest rate cycle in the U.S. will play out and could further impact the local currency," said Wichard Cilliers, head of market risk at TreasuryONE. Fed minutes released on Thursday revealed the U.S. was on track for an interest rate cut in September after a "vast majority" of officials said such an action was likely.

On the stock market, after hitting record highs earlier in the day, the Top-40 index closed down 0.63%, while the broader all-share ended 0.48% lower. South Africa's benchmark 2030 government bond was weaker, with the yield up 9 basis points at 9.12%.

Source: LSEG Thomson Reuters Refinitiv.

The best artists know what to leave out.

Charles de Lint

Market Overview

MARKET INDICATORS (LSEG Thomson Reuters Refinitiv)				23 August 2024	
Money Market TB Rates %					
		Last close	Difference	Prev close	Current Spot
3 months	↓	8.40	-0.008	8.41	8.20
6 months	↓	8.55	-0.033	8.59	8.35
9 months	↓	8.56	-0.050	8.61	8.37
12 months	↓	8.44	-0.050	8.49	8.25
Nominal Bond Yields %					
		Last close	Difference	Prev close	Current Spot
GC24 (Coupon 10.50%, BMK R186)	↑	9.10	0.080	9.02	9.10
GC25 (Coupon 8.50%, BMK R186)	↑	9.00	0.080	8.92	9.00
GC26 (Coupon 8.50%, BMK R186)	↑	8.17	0.080	8.09	8.17
GC27 (Coupon 8.00%, BMK R186)	↑	8.47	0.080	8.39	8.47
GC28 (Coupon 8.50%, BMK R2030)	↑	8.56	0.090	8.47	8.55
GC30 (Coupon 8.00%, BMK R2030)	↑	8.78	0.090	8.69	8.77
GC32 (Coupon 9.00%, BMK R213)	↑	9.31	0.075	9.24	9.32
GC35 (Coupon 9.50%, BMK R209)	↑	10.07	0.085	9.98	10.06
GC37 (Coupon 9.50%, BMK R2037)	↑	10.63	0.095	10.54	10.63
GC40 (Coupon 9.80%, BMK R214)	↑	11.26	0.085	11.18	11.25
GC43 (Coupon 10.00%, BMK R2044)	↑	11.41	0.080	11.33	11.41
GC45 (Coupon 9.85%, BMK R2044)	↑	11.76	0.080	11.68	11.76
GC48 (Coupon 10.00%, BMK R2048)	↑	11.67	0.085	11.59	11.66
GC50 (Coupon 10.25%, BMK: R2048)	↑	11.72	0.085	11.64	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	↓	2,483	-1.14%	2,512	2,492
Platinum	↓	944	-2.08%	964	952
Brent Crude	↑	77.2	1.54%	76.1	77.2
Main Indices					
		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,829	-1.06%	1,848	1,829
JSE All Share	↓	83,621	-0.48%	84,026	83,621
SP500	↓	5,571	-0.89%	5,621	5,571
FTSE 100	↑	8,288	0.06%	8,283	8,288
Hangseng	↑	17,641	1.44%	17,391	17,555
DAX	↑	18,493	0.24%	18,449	18,493
JSE Sectors					
		Last close	Change	Prev close	Current Spot
Financials	↓	20,254	-1.10%	20,478	20,254
Resources	↓	59,800	-2.02%	61,033	59,800
Industrials	↑	113,541	0.56%	112,906	113,541
Forex					
		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	18.01	1.07%	17.82	18.00
N\$/Pound	↑	23.58	1.03%	23.33	23.60
N\$/Euro	↑	20.02	0.73%	19.87	20.02
US dollar/ Euro	↓	1.111	-0.34%	1.115	1.112
		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	Jul 24	Jun 24
Inflation	⇒	4.6	4.6	4.6	5.1

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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