



Market Update

Monday, 27 December 2024

Global Markets

U.S. stock futures and Asian shares outside China slumped on Monday as investors weighed the implications of Chinese startup DeepSeek's launch of a free, open-source artificial intelligence model to rival OpenAI's ChatGPT. Meanwhile, the dollar rose after U.S. President Donald Trump slapped Colombia with retaliatory levies and sanctions for turning away military aircraft carrying deported migrants. DeepSeek "has raised the spectre of disruption in the tech landscape, with its emergence suggesting that China can continue to make strides in the AI race despite US restrictions," Yeap Jun Rong, a strategist at IG, wrote in a note. It "seems to instill some concerns over U.S. tech dominance", putting "tech companies' lofty valuation back under scrutiny", he said.

U.S. Nasdaq Composite futures tumbled 1.8% as of 0158 GMT and S&P 500 futures sank 0.9%. Japan's Nikkei dropped 0.3%, reversing an initial advance. New Zealand's equity benchmark slipped 0.6% and Singapore's Straits Times index lost 0.2%. At the same time, Hong Kong's Hang Seng rallied 0.9% and mainland blue chips added 0.2%, even after data showed a surprise contraction in manufacturing this month.

In currencies, the dollar jumped 0.3% against the Chinese yuan in offshore trading and rallied 0.4% versus the Aussie and 0.5% versus the New Zealand dollar, with the antipodean currencies tending to act as more liquid proxies for China's currency due to close trade ties. The Mexican peso slumped 1% and the Canadian dollar eased 0.3%. The Colombian peso had yet to trade against the dollar but had rallied 3.4% over the previous three sessions.

China, Mexico, and Canada face a nervy wait with Trump last week earmarking Feb. 1 for additional tariffs on the United States' top trading partners. However, Nomura strategist Naka Matsuzawa expects dollar strength on tariff worries to be fleeting. "As a trend, Trump is taking a more realistic, less aggressive stance on tariffs," Matsuzawa said. "Bottom line: Trump doesn't want big tariffs because he's worried about inflation," he said. "The dollar will be overall weaker." Trump last week soothed market concerns by saying he wanted to avoid tariffs on China and said he could reach a trade deal.

The volatility across asset classes kicks off a crucial week for markets that will see the Federal Reserve and European Central Bank among others set monetary policy. At the same time, many bourses have extended holidays this week for the lunar new year. Among them, South Korea is

closed Monday and Tuesday, while Taiwan is shut all week. Mainland China is away from Tuesday until Wednesday of next week. Australia is closed on Monday for Australia Day.

Meanwhile, crude oil prices slumped after Trump on Friday reiterated his call for OPEC to cut oil prices. Brent crude futures dropped 1.2% to \$77.60 a barrel, while U.S. West Texas Intermediate crude lost 1.2% to \$73.78 a barrel.

Gold sank 0.6% to \$2,755.85 per ounce.

Leading cryptocurrency bitcoin slid 3.5% to \$101,415.12.

Source: LSEG Thomson Reuters Refinitiv.

Domestic Markets

South Africa's rand slipped on Monday, ahead of a week packed with domestic and international data releases, with eyes set on interest rate decisions from the Federal Reserve and the South African Reserve Bank (SARB). At 0657 GMT, the rand traded at 18.50 against the dollar, about 0.5% weaker than its previous close. The dollar last traded about 0.1% stronger against a basket of currencies as traders pondered the ramifications of U.S. President Donald Trump's tariff plans.

Corporate headlines are light this morning. Macro wise, this week sees PPI data on Thursday, followed by the SARB rate announcement where consensus now expects a -25bps cut to 7.5%, thanks to cooler CPI data this month. Domestic investors will then shift their attention towards the SARB's first interest rate decision for 2025 on Thursday. Economists polled by Reuters estimate a 25-basis point cut to 7.50%.

South Africa's benchmark 2030 government bond was weaker in early deals, with the yield up 6.5 basis points to 9.045%.

Source: LSEG Thomson Reuters Refinitiv.

The best preparation for tomorrow is doing your best today.

H. Jackson Brown, Jr.

Market Overview

MARKET INDICATORS (Bloomberg)		27 January 2025			
Money Market TB's		Last Close	Change	Prev Close	Current Spot
3 months	↓	7.88	-0.043	7.92	7.88
6 months	↓	7.91	-0.043	7.95	7.91
9 months	↓	7.94	-0.033	7.97	7.94
12 months	↓	7.94	-0.026	7.97	7.94
Nominal Bonds		Last Close	Change	Prev Close	Current Spot
GC25 (Coupon 8.50%, BMK: R186)	↓	7.96	-0.017	7.97	7.95
GC26 (Coupon 8.50%, BMK: R186)	↓	8.36	-0.004	8.36	8.36
GC27 (Coupon 8.00%, BMK: R186)	↓	8.81	-0.008	8.81	8.81
GC30 (Coupon 8.00%, BMK: R2030)	↓	8.99	-0.005	9.00	9.00
GC32 (Coupon 9.00%, BMK: R213)	↑	9.84	0.004	9.84	9.87
GC35 (Coupon 9.50%, BMK: R209)	↑	11.00	0.003	11.00	10.82
GC37 (Coupon 9.50%, BMK: R2037)	↑	11.03	0.012	11.02	11.15
GC40 (Coupon 9.80%, BMK: R214)	↓	11.36	-0.022	11.38	11.36
GC43 (Coupon 10.00%, BMK: R2044)	↑	11.38	0.002	11.37	11.32
GC45 (Coupon 9.85%, BMK: R2044)	↑	11.62	0.005	11.62	11.62
GC50 (Coupon 10.25%, BMK: R2048)	↓	11.42	-0.024	11.44	11.43
Inflation-Linked Bonds		Last Close	Change	Prev Close	Current Spot
GI25 (Coupon 3.80%, BMK: NCPI)	↓	3.35	-0.002	3.35	3.35
GI27 (Coupon 4.00%, BMK: NCPI)	↑	4.12	0.004	4.12	4.13
GI29 (Coupon 4.50%, BMK: NCPI)	↓	4.83	0.000	4.83	4.83
GI33 (Coupon 4.50%, BMK: NCPI)	↓	5.32	0.000	5.32	5.32
GI36 (Coupon 4.80%, BMK: NCPI)	↑	5.66	0.002	5.65	5.66
Commodities		Last Close	Change	Prev Close	Current Spot
Gold	↑	2,771	0.57%	2,755	2,753
Platinum	↑	951	0.48%	947	947
Brent Crude	↑	78.5	0.27%	78.29	77.85
Main Indices		Last Close	Change	Prev Close	Current Spot
NSX Local Index	↑	1050	0.10%	1049	1050
JSE All Share	↑	84,291	0.41%	83,944	84,291
S&P 500	↓	6,101	-0.29%	6,119	6,101
FTSE 100	↓	8,502	-0.74%	8,565	8,502
Hangseng	↑	20,263	0.98%	20,066	20,263
DAX	↓	21,395	-0.08%	21,412	21,395
JSE Sectors		Last Close	Change	Prev Close	Current Spot
Financials	→	20,004	0.00%	20,004	19,877
Resources	→	58,671	0.00%	58,671	59,660
Industrials	→	115,680	0.00%	115,680	116,362
Forex		Last Close	Change	Prev Close	Current Spot
N\$/US Dollar	↓	18.40	-0.59%	18.51	18.51
N\$/Pound	↑	22.97	0.44%	22.87	23.06
N\$/Euro	↑	19.31	0.16%	19.28	19.37
US Dollar/ Euro	↑	1.050	0.96%	1.04	1.05
		Namibia		RSA	
Interest Rates & Inflation		Dec-24	Nov-24	Dec-24	Nov-24
Central Bank Rate	↓	7.00	7.25	7.75	8.00
Prime Rate	↓	10.75	11	11.25	11.25
		Dec-24	Nov-24	Dec-24	Nov-24
Inflation	↑	3.4	3.0	3.0	2.9

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.



For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na

Disclaimer

The information contained in this note is the property of Capricorn Asset Management (CAM). The information contained herein has been obtained from sources and persons whom the writer believes to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute the writer's judgement as of the date of this material and are subject to change without notice. This note is provided for informational purposes only and may not be reproduced in any way without the explicit permission of CAM.

A member of  **Capricorn Group**
