Market Update Friday, 31 January 2025

Global Markets

Global shares drifted on Friday as investors reflected on relatively strong earnings from tech bellwethers in a week that started with a market rout sparked by the emergence of a low-cost Chinese artificial intelligence model. Data on Thursday showed U.S. economic growth slowed in the fourth quarter but remained robust enough for investors to expect the Fed to lower rates only gradually this year. Investor focus will now switch to the December U.S. personal consumption expenditures (PCE) price index report, Fed's favoured gauge of inflation, due later in the day. Trump's policies remain a risk for the Fed's policy outlook, and Saturday is likely to see new tariffs slapped on Canada, Mexico and possibly China.

Investors were also weighing central bank actions this week in which the Federal Reserve held rates steady on Wednesday, in line with expectations, while the European Central Bank cut interest rates on Thursday as expected. "The (Fed) meeting reinforced our belief the Fed is content to sit on the sidelines, in no hurry to move until the future is clearer," said Susan Hill, head of government liquidity at Federated Hermes. "We still think the Fed will cut rates this year and have pencilled in a 25 basis-point cut by mid-2025 and another coming around autumn."

Nasdaq futures rose 0.58% after Apple executives forecast relatively strong sales growth. European futures pointed to a muted open after Europe's benchmark index closed at a record high the previous day. The pan-European STOXX 600 is on course for an over 6% gain in January, its strongest monthly performance since November 2023. Technology stocks across the globe stumbled badly on Monday as investors factored in implications from the low-cost Chinese AI model, with shares of high-profile tech names such as Nvidia, and Oracle getting pummeled. But tech stocks have since recouped some of those losses, CEOs of Microsoft and Meta defended their massive spending, saying it was crucial to staying competitive in the new field.

Vasu Menon, managing director of investment strategy at OCBC, said the DeepSeek development may create some uncertainty and put some pressure on valuations of AI players in the short term, but it does not alter the medium to long term outlook. "The need for increased AI infrastructure will continue and any new computing capacity should get absorbed by increased AI demand which could grow significantly in the coming years.
With markets in mainland China, Hong Kong and Taiwan still closed for the Lunar New Year, the return of South Korea grabbed the spotlight in Asia. The benchmark KOSPI slid over 1%, with shares of Samsung Electronics, which projected limited first quarter earnings growth on Friday, down 3%, and SK Hynix, a key supplier to Nvidia, 9.5% lower. That left the MSCI's broadest index of Asia-Pacific

shares outside Japan down 0.2% but still on course for a 1% gain this month, snapping its three-month losing streak.

Fresh threats from U.S. President Donald Trump of tariffs on Mexico and Canada lifted the dollar and pushed gold prices to record high as traders brace for the Saturday deadline set by Trump to impose 25% tariffs. The Mexican peso and Canadian dollar remained on guard ahead of the deadline. In Japan, the yen was last at 154.58 per dollar, having already climbed more than 1% for the week thus far. It was set to gain 1.9% for the month, which would mark its best January performance in seven years. Expectations of further rate increases from the BOJ this year has boosted the yen. Deputy Governor Ryozo Himino said on Thursday that the central bank will continue to raise rates if the economy and prices move in line with the bank's forecasts.

In commodities, gold rose to $2,799.71 an ounce to hit record levels and was on course for a 6.5% rise in January, its strongest monthly performance since March.

Brent crude futures was 0.4% higher at $77.21 a barrel. U.S. crude futures rose 0.8% to $73.31 a barrel.

Source: LSEG Thomson Reuters Refinitiv.

Domestic Markets

South Africa's rand gained on Thursday after data showed U.S. economic growth slowed in the fourth quarter, while the South African Reserve Bank cut its main lending rate for the third time in a row. At 1801 GMT, the rand traded at 18.4525 against the U.S. dollar, about 0.7% stronger than its previous close. The dollar last traded about 0.1% weaker against a basket of currencies.

The world's biggest economy recorded softer than expected economic growth for the fourth quarter, which supported the rand's momentum, analysts said. Domestic-focused investors looked to South Africa's central bank on Thursday, which cut its main lending rate by 25 basis points to 7.50%, as expected. The central bank placed emphasis on the uncertain global backdrop and said it had modelled the potential impact of a trade war. Also on Thursday, Statistics South Africa data showed producer inflation was at 0.7% year-on-year in December. The country recorded a budget surplus of 21.38 billion rand in December, National Treasury data showed.

On the Johannesburg Stock Exchange, the blue-chip Top-40 index closed about 0.4% up.

South Africa's benchmark 2030 government bond was slightly weaker, with the yield at 9.01%.

Source: LSEG Thomson Reuters Refinitiv.

A nickel ain't worth a dime anymore.

Yogi Berra

Market Overview

MARKET INDICATORS (Bloomberg)					31 January 2025
Money Market TB's		**Last Close**	**Change**	**Prev Close**	**Current Spot**
3 months	↓	7.82	-0.054	7.88	7.82
6 months	↓	7.88	-0.036	7.91	7.88
9 months	↓	7.86	-0.073	7.94	7.86
12 months	↓	7.90	-0.036	7.94	7.90
Nominal Bonds		**Last Close**	**Change**	**Prev Close**	**Current Spot**
GC25 (Coupon 8.50%, BMK: R186)	↓	7.57	0.000	7.57	7.57
GC26 (Coupon 8.50%, BMK: R186)	↓	8.37	-0.003	8.38	8.40
GC27 (Coupon 8.00%, BMK: R186)	↓	8.72	-0.002	8.72	8.75
GC30 (Coupon 8.00%, BMK: R2030)	↓	8.93	0.025	8.90	9.05
GC32 (Coupon 9.00%, BMK: R213)	↑	9.84	-0.015	9.85	9.86
GC35 (Coupon 9.50%, BMK: R209)	↑	10.75	-0.013	10.76	10.76
GC37 (Coupon 9.50%, BMK: R2037)	↑	10.93	-0.012	10.94	10.95
GC40 (Coupon 9.80%, BMK: R214)	↓	11.27	-0.019	11.29	11.28
GC43 (Coupon 10.00%, BMK: R2044)	↑	11.21	-0.022	11.23	11.21
GC45 (Coupon 9.85%, BMK: R2044)	↑	11.22	-0.023	11.25	11.23
GC50 (Coupon 10.25%, BMK: R2048)	↓	11.33	-0.027	11.36	11.36
Inflation-Linked Bonds		**Last Close**	**Change**	**Prev Close**	**Current Spot**
GI25 (Coupon 3.80%, BMK: NCPI)	↓	3.32	-0.001	3.32	3.32
GI27 (Coupon 4.00%, BMK: NCPI)	↑	4.16	0.005	4.15	4.16
GI29 (Coupon 4.50%, BMK: NCPI)	↓	4.74	-0.006	4.74	4.73
GI33 (Coupon 4.50%, BMK: NCPI)	↓	5.30	-0.002	5.30	5.30
GI36 (Coupon 4.80%, BMK: NCPI)	↑	5.69	0.001	5.69	5.69
Commodities		**Last Close**	**Change**	**Prev Close**	**Current Spot**
Gold	↑	2,795	1.28%	2,759	2,801
Platinum	↑	971	2.23%	950	973
Brent Crude	↑	76.9	0.38%	76.58	77.19
Main Indices		**Last Close**	**Change**	**Prev Close**	**Current Spot**
NSX Local Index	↑	1030	-0.10%	1031	1030
JSE All Share	↑	86,061	0.44%	85,685	86,061
S&P 500	↓	6,071	0.53%	6,039	6,071
FTSE 100	↓	8,647	1.04%	8,558	8,647
Hangseng	↑	20,225	0.13%	20,198	20,225
DAX	↓	21,727	0.41%	21,638	21,727
JSE Sectors		**Last Close**	**Change**	**Prev Close**	**Current Spot**
Financials	→	20,144	0.04%	20,136	20,114
Resources	→	59,881	1.66%	58,902	60,544
Industrials	→	119,614	0.06%	119,541	120,310
Forex		**Last Close**	**Change**	**Prev Close**	**Current Spot**
N$/US Dollar	↓	18.59	0.27%	18.54	18.52
N$/Pound	↑	23.09	0.00%	23.09	23.03
N$/Euro	↑	19.32	0.00%	19.32	19.28
US Dollar/ Euro	↑	1.039	-0.10%	1.04	1.04
		Namibia		**RSA**	
Interest Rates & Inflation		**Dec-24**	**Nov-24**	**Jan-25**	**Nov-24**
Central Bank Rate	↓	7.00	7.25	7.50	7.75
Prime Rate	↓	10.75	11	11.00	11.25
		Dec-24	**Nov-24**	**Jan-25**	**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 listeds

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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