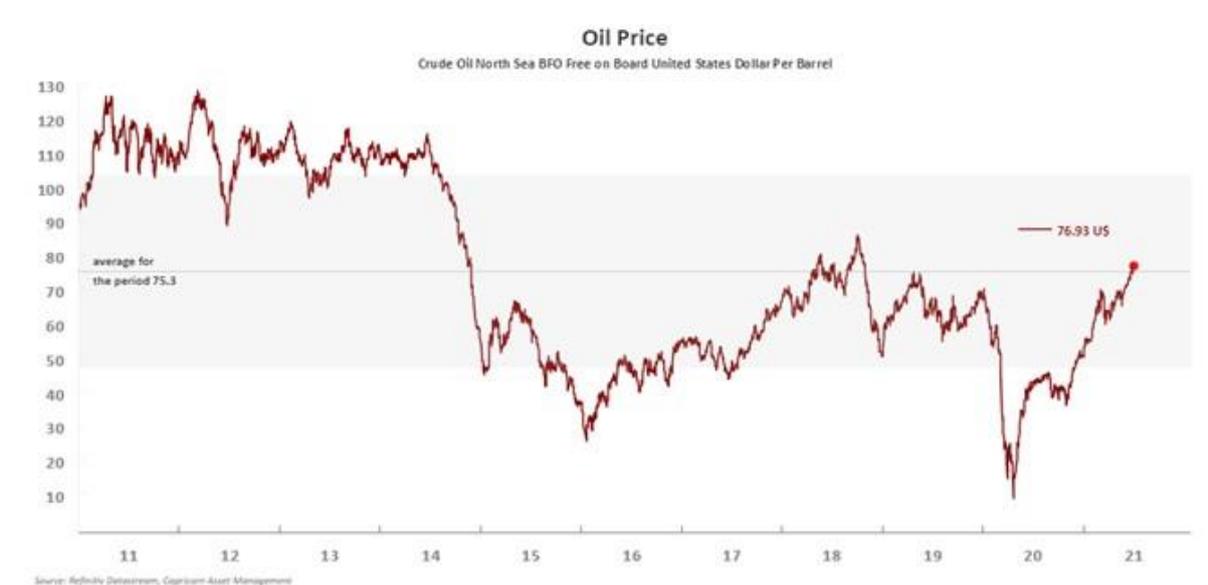




Market Update

Thursday, 01 July 2021



Global Markets

Asian stock markets made a subdued start to the second half of 2021 on Thursday, weighed by worries about new coronavirus infections and fresh lockdowns, while bond and currency markets were on edge ahead of U.S. labour data. U.S. private payrolls beat expectations overnight, although they are an unreliable guide to the broader labour-market data due out on Friday, which economists forecast will show 700,000 jobs were added in June.

Japan's Nikkei was 0.3% lower while MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.2% in thin trade as Hong Kong markets were shut for a holiday. The MSCI index closed out the first half with a gain of 5.8% compared with world stocks' rise of 11.4% and a gain of 14.4% for the S&P 500, which logged its fifth consecutive record closing high to end last month. The U.S. dollar hit a 15-month high against the Japanese yen and Treasury yields held steady.

"The virus is still playing a role ... although it's difficult to see much direction in anything at the moment," ING economist Rob Carnell said on the phone from Singapore. "There's a broad sense that the dollar isn't such a bad unit to be holding," he said, as traders turned to U.S. jobs data due Friday for the next clue on the Federal Reserve's rates outlook. "Everyone is a little bit jittery ... and there's so much money around that virtually every bet is covered," he said. "The market is completely divided - I think that's why things are pretty rangey," he added.

Data in Asia on Thursday painted a mixed picture, with Japanese manufacturers' mood at a two-and-a-half year high, but factory activity growth there slowing down in the face of difficulty sourcing computer chips. Slower vaccination rates in Asia and the extension of restrictions to curb the spread of the virus as the delta variant spreads - as well as a regulatory crackdown on Chinese tech giants - have had regional markets lagging this year.

For bond and currency markets the focus this week is on the U.S. non-farm payrolls data and its implication for rates. Since a hawkish shift in tone from the Federal Reserve last month, the U.S. dollar has been elevated and bond markets whipsawed by worries about high inflation and whether it prompts a sooner or swifter than expected end to ultra-easy policy.

Signs of strength in the labour market could add pressure on the Fed to act, and the prospect of higher rates could lift the dollar, while it is vulnerable if the data misses expectations. Economists polled by Reuters expect a gain of 700,000 jobs for June, up from 559,000 in May. But variation among the 63 estimates is big, ranging from 376,000 to more than a million.

"Unless the monthly jobs report disappoints, the level to beat for the dollar index is the year's high at 93.4," analysts at DBS Bank in Singapore said in a note. The U.S. dollar index, which measures the greenback against a basket of six major currencies, hit its highest since April overnight and sat at 92.406 on Thursday. The dollar also traded near its strongest against the euro since April at \$1.1850 and hit its highest since March 2020 at 111.16 yen.

The yield on benchmark ten-year U.S. Treasuries was steady in Asia at 1.4663%. In commodity markets, prices for metals seem to be stabilising below May peaks and oil was edging up to re-test the multi-year highs touched earlier in the week. Brent crude futures were last up 0.3% at \$74.81 a barrel. Corn extended a sharp overnight bounce as lower-than-expected U.S. planting supported prices.



Domestic Markets

The South African rand firmed on Wednesday after data showed the country recorded larger-than-expected trade surplus for the month of May. At 1500 GMT, the rand traded at 14.2666 against the dollar, 0.55% stronger than its previous close.

The currency mirrored gains in most emerging market currencies, with traders eyeing U.S. jobs data due later this week for clues on the economic recovery there and the Federal Reserve's stance.

Data from the South African Revenue Service showed on Wednesday that the trade surplus widened to 54.60 billion rand (\$3.83 billion) in May from a surplus of 51.25 billion rand in April, as exports rose and imports fell. Market expectations were for a trade surplus of 46.50 billion rand.

South Africa's economic recovery from the COVID-19 pandemic has been uneven and halting, but one bright spot has been bumper commodity prices which have improved the country's terms of trade. "We expect the trade surplus to remain robust throughout the year, albeit declining as we go along. Commodity prices are expected to remain at current levels over the immediate term, before declining towards pre-pandemic levels over the medium term," said Pieter du Preez at NKC African Economics.

Stocks continued to vacillate wildly between losses and gains since Monday as investors weighed whether an impact of rising cases of coronavirus would dent the economy more or a strong job data from the U.S. would give a deeper boost.

After rising by more than a percentage on Tuesday, stocks pared half of the gains on Wednesday with the benchmark all-share index closing down 0.45% to 66,249 points. The blue-chip index of top 40 companies shed 0.55% to end the day at 60,162 points. Stocks of banks and financials, which largely depend on the local economy, however stayed resilient hinting that most of the day's losses were largely in lock step with fall in global stock markets. "The bank index was up 0.44% at close of trading hours.

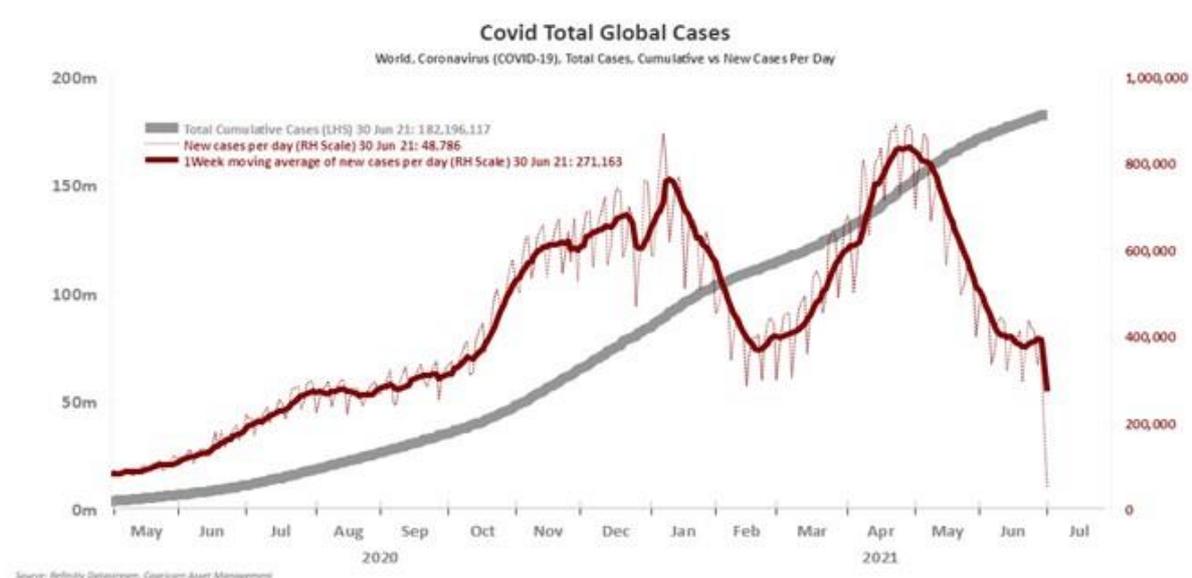
Government bonds firmed alongside the currency, with the yield on the benchmark 2030 instrument falling 6.5 basis points to 8.895%.

Corona Tracker

GLOBAL CASES				
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	182,196,117	48,786	4,102,295	133,503,414

The number of new cases is distorted by cut-off times.

Source: Thomson Reuters



Source: Refinitiv Datastream, Capgemini Asset Management

Market Overview

MARKET INDICATORS (Thomson Reuters)					01 July 2021	
Money Market TB Rates %			Last close	Difference	Prev close	Current Spot
3 months	↑		4.29	0.009	4.28	4.29
6 months	↑		4.52	0.016	4.50	4.52
9 months	↑		4.81	0.050	4.76	4.81
12 months	↑		5.06	0.067	4.99	5.06
Nominal Bond Yields %			Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	↑		4.65	0.050	4.60	4.65
GC22 (Coupon 8.75%, BMK R2023)	↑		5.91	0.025	5.89	5.91
GC23 (Coupon 8.85%, BMK R2023)	↑		5.81	0.025	5.79	5.81
GC24 (Coupon 10.50%, BMK R186)	↓		7.73	-0.015	7.74	7.73
GC25 (Coupon 8.50%, BMK R186)	↓		7.74	-0.015	7.75	7.74
GC26 (Coupon 8.50%, BMK R186)	↓		7.74	-0.015	7.75	7.74
GC27 (Coupon 8.00%, BMK R186)	↓		8.03	-0.015	8.04	8.03
GC30 (Coupon 8.00%, BMK R2030)	↓		9.18	-0.075	9.26	9.20
GC32 (Coupon 9.00%, BMK R213)	↓		10.20	-0.070	10.27	10.21
GC35 (Coupon 9.50%, BMK R209)	↓		11.05	-0.060	11.11	11.06
GC37 (Coupon 9.50%, BMK R2037)	↓		11.53	-0.080	11.61	11.54
GC40 (Coupon 9.80%, BMK R214)	↓		12.35	-0.050	12.40	12.36
GC43 (Coupon 10.00%, BMK R2044)	↓		12.63	-0.055	12.68	12.64
GC45 (Coupon 9.85%, BMK R2044)	↓		12.91	-0.055	12.96	12.92
GC48 (Coupon 10.00%, BMK R2048)	↓		13.00	-0.050	13.05	13.00
GC50 (Coupon 10.25%, BMK: R2048)	↓		12.94	-0.050	12.99	12.94
Inflation-Linked Bond Yields %			Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	⇒		3.96	0.000	3.96	3.96
GI25 (Coupon 3.80%, BMK NCPI)	⇒		4.00	0.000	4.00	4.00
GI27 (Coupon 4.00%, BMK NCPI)	⇒		4.99	0.000	4.99	4.99
GI29 (Coupon 4.50%, BMK NCPI)	⇒		6.08	0.000	6.08	6.08
GI33 (Coupon 4.50%, BMK NCPI)	⇒		6.91	0.000	6.91	6.91
GI36 (Coupon 4.80%, BMK NCPI)	⇒		7.58	0.000	7.58	7.58
Commodities			Last close	Change	Prev close	Current Spot
Gold	↑		1,770	0.49%	1,761	1,777
Platinum	↑		1,072	0.50%	1,067	1,074
Brent Crude	↑		75.1	0.49%	74.8	74.8
Main Indices			Last close	Change	Prev close	Current Spot
NSX Overall Index	↓		1,375	0.00%	1,375	1,375
JSE All Share	↓		66,249	-0.45%	66,549	66,249
SP500	↑		4,298	0.13%	4,292	4,298
FTSE 100	↓		7,037	-0.71%	7,088	7,037
Hangseng	↓		28,828	-0.57%	28,994	28,828
DAX	↓		15,531	-1.02%	15,691	15,531
JSE Sectors			Last close	Change	Prev close	Current Spot
Financials	↑		13,103	0.17%	13,080	13,103
Resources	↓		63,234	-0.54%	63,580	63,234
Industrials	↓		87,228	-0.78%	87,913	87,228
Forex			Last close	Change	Prev close	Current Spot
N\$/US dollar	↓		14.28	-0.41%	14.34	14.30
N\$/Pound	↓		19.75	-0.47%	19.84	19.76
N\$/Euro	↓		16.93	-0.75%	17.06	16.93
US dollar/ Euro	↓		1.186	-0.34%	1.190	1.184
			Namibia		RSA	
Interest Rates & Inflation			May 21	Apr 21	May 21	Apr 21
Central Bank Rate	⇒		3.75	3.75	3.50	3.50
Prime Rate	⇒		7.50	7.50	7.00	7.00
			May 21	Apr 21	May 21	Apr 21
Inflation	↓		3.8	3.9	5.2	4.4

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 a Bloomberg calculated Index

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.

Source: Thomson Reuters



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 which and persons whom the writer believe 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**
