



## The Daily Brief

 Capricorn Asset Management

### Market Update

Monday, 03 May 2021



### Global Markets

Asian share markets got off to a slow start on Monday as holidays in China and Japan crimped volumes and investors awaited a raft of data this week which should show the U.S. leading a global economic recovery.

MSCI's broadest index of Asia-Pacific shares outside Japan slipped 0.7%, led by a 1.3% drop in Taiwan. Japan's Nikkei was shut for a holiday, but Nikkei futures edged up 0.4%. Wall Street extended its bull run with Nasdaq futures up 0.1% and S&P 500 futures 0.3%. EUROSTOXX 50 futures inched up 0.1%.

A busy week for U.S. economic data is expected to show resounding strength, particularly for the ISM manufacturing survey and April payrolls. Forecasts are that 978,000 jobs were created in the month as consumers spent their stimulus money and the economy opened up more. Analysts at NatWest Markets, for instance, see payrolls surging by 1.25 million in April with unemployment diving to 5.2%, from 6% in March.

Such gains could stir speculation of a tapering in asset purchases by the Federal Reserve, though Chair Jerome Powell has shown every sign of staying patient on policy. "Payrolls should show

another near 1 million jobs gain, but that would still leave them 7.5 million below pre-COVID levels," said Tapas Strickland, a director of economics at NAB.

"Chair Powell recently noted that it would take a string of months of job creation of about a million a month to achieve the substantial progress required to justify tapering QE." Powell is due to speak later on Monday and will be followed by a raft of Fed officials this week. Dallas Fed President Robert Kaplan caused a stir on Friday by calling for beginning the conversation about tapering.

Powell's patience has helped limit selling pressure in Treasuries, yet 10-year yields still ended last week with a rise of 6 basis points to be last at 1.626%. The rise offered some support to the U.S. dollar which has been pressured by the rapid expansion of the U.S. budget and trade deficits, a by-product of the economy's outperformance. The dollar index stood at 91.330 and off a two-month trough of 90.422, though it still ended April with a loss of 2%. The euro was steady at \$1.2021, having backtracked from a nine-week peak of \$1.2149 on Friday. It now has solid support around \$1.1990. The dollar has fared better on the yen at 109.57, well above its recent low of 107.46.

In commodity markets, gold held to a narrow range around \$1,772 an ounce side-lined in part by investor interest in crypto currencies as an alternative hedge against inflation. Ether hit a record high on Monday above \$3,000, extending last week's rally in the wake of a report that the European Investment Bank (EIB) could launch a digital bond sale on the ethereum blockchain network. Oil prices ran into profit-taking, having ended last month with gains of 6% to 8%. Brent was last down 23 cents at \$66.53 a barrel, while U.S. crude lost 22 cents to \$63.36 per barrel.



## Domestic Markets

South Africa's rand eased on Friday as weaker-than-expected Chinese factory indicators and firmer economic growth in the United States put demand for riskier currencies under pressure. At 1600 GMT, the rand was 1.38% weaker at 14.5050 per dollar, adding to the previous session's losses.

Trading this week has been volatile, albeit within a narrow range, with the rand failing to hold below the 14.20 technical resistance mark despite bull-plays inspired by the high yield on offer in the face of loose Fed policy. The rand has lost momentum as investors worry about local economic growth and the duration of expansionary fiscal and monetary policies in developed economies that have so far supported flows into the currency and a healthy trade surplus.

China's manufacturing purchasing managers' index (PMI) fell slightly in April as supply bottlenecks and rising costs weighed on production. Strong U.S. economic growth in the first quarter, with gross domestic product increasing 6.4%, took some of the steam out of the rand's rally, with traders warning that South Africa's own economic struggles may weigh on its strength.

However, South Africa on Friday posted its largest trade surplus on record for March at 52.77 billion rand (\$3.67 billion), from a revised 31.22 billion rand in February, driven by higher commodity and mineral exports. Analysts had expected the rand could take another beating in coming days if the trade surplus narrowed more than expected.

Bonds were also weaker with the yield on the benchmark 2030 government issue up 2.5 basis points to 9.290%.

Shares on the Johannesburg Stock Exchange (JSE) edged lower, extending a fall from Thursday evening, as foreign investors continued to take profits. The benchmark all-share index closed down 0.68% at 66,937 points and the blue-chip index of top 40 companies lost 0.67% to 61,096 points. The local stock market, which has been among the best performing bourses in emerging markets this year, gave a negative return of 1.18% in April.

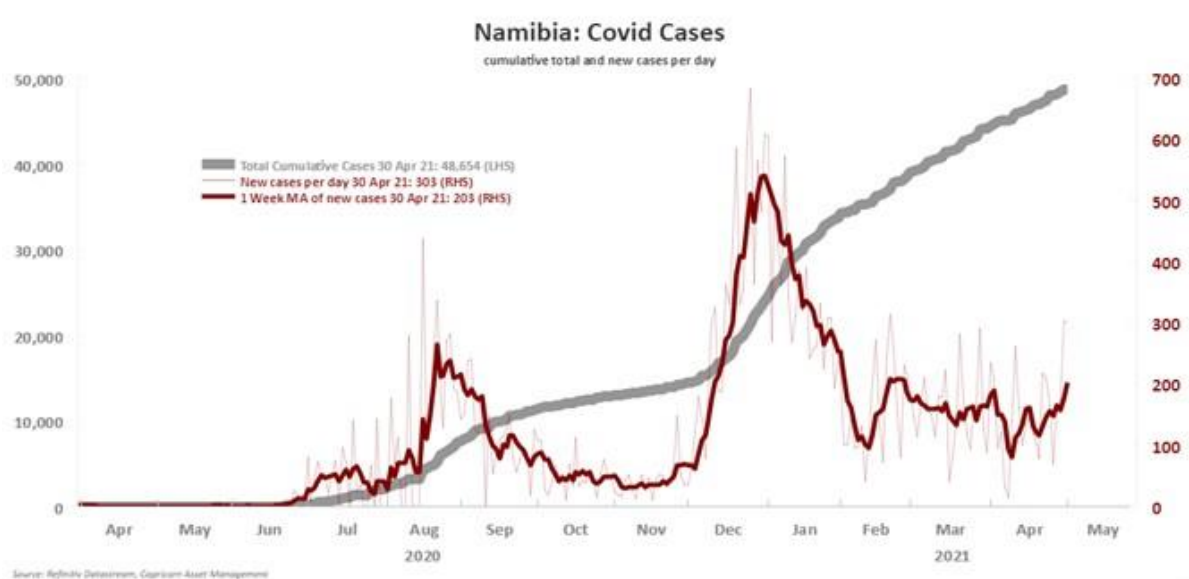
Friday's fall was led by the country's banks, often considered to mirror local economic recovery prospects. The banking index reversed all its April gains and ended 3% lower, also halting a four-day winning streak.

## Corona Tracker

GLOBAL CASES SOURCE - REUTERS		03-May-2021		5:36
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	152,448,585	577,643	3,336,560	102,073,302

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

Source: Thomson Reuters



Strength does not come from winning. Your struggles develop your strengths. When you go through hardships and decide not to surrender, that is strength.

**Arnold Schwarzenegger**



## Market Overview

MARKET INDICATORS (Thomson Reuters)					03 May 2021
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	↔	4.20	0.000	4.20	4.20
6 months	↔	4.41	0.000	4.41	4.41
9 months	↑	4.72	0.009	4.71	4.72
12 months	↑	4.75	0.008	4.74	4.75
<b>Nominal Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC21 (Coupon 7.75%, BMK R208)	↓	4.42	-0.030	4.45	4.42
GC22 (Coupon 8.75%, BMK R2023)	↓	5.36	-0.030	5.39	5.36
GC23 (Coupon 8.85%, BMK R2023)	↓	5.26	-0.030	5.29	5.26
GC24 (Coupon 10.50%, BMK R186)	↑	7.69	0.035	7.66	7.69
GC25 (Coupon 8.50%, BMK R186)	↑	7.70	0.035	7.67	7.70
GC26 (Coupon 8.50%, BMK R186)	↑	7.70	0.035	7.67	7.70
GC27 (Coupon 8.00%, BMK R186)	↑	7.99	0.035	7.96	7.99
GC30 (Coupon 8.00%, BMK R2030)	↑	9.59	0.030	9.56	9.59
GC32 (Coupon 9.00%, BMK R213)	↑	10.67	0.035	10.64	10.67
GC35 (Coupon 9.50%, BMK R209)	↑	11.75	0.070	11.68	11.75
GC37 (Coupon 9.50%, BMK R2037)	↑	12.25	0.085	12.17	12.25
GC40 (Coupon 9.80%, BMK R214)	↑	13.01	0.070	12.94	13.01
GC43 (Coupon 10.00%, BMK R2044)	↑	13.33	0.080	13.25	13.33
GC45 (Coupon 9.85%, BMK R2044)	↑	13.61	0.080	13.53	13.61
GC50 (Coupon 10.25%, BMK: R2048)	↑	13.62	0.080	13.54	13.62
<b>Inflation-Linked Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GI22 (Coupon 3.55%, BMK NCPI)	↔	3.89	0.000	3.89	3.89
GI25 (Coupon 3.80%, BMK NCPI)	↔	4.00	0.000	4.00	4.00
GI29 (Coupon 4.50%, BMK NCPI)	↔	5.65	0.000	5.65	5.65
GI33 (Coupon 4.50%, BMK NCPI)	↔	6.80	0.000	6.80	6.80
GI36 (Coupon 4.80%, BMK NCPI)	↔	7.35	0.000	7.35	7.35
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↓	1,769	-0.15%	1,771	1,774
Platinum	↑	1,199	0.04%	1,198	1,199
Brent Crude	↓	67.3	-1.91%	68.6	66.4
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	↓	1,385	-0.92%	1,398	1,385
JSE All Share	↓	66,937	-0.68%	67,393	66,937
SP500	↓	4,181	-0.72%	4,211	4,181
FTSE 100	↑	6,970	0.12%	6,961	6,970
Hangseng	↓	28,725	-1.97%	29,303	28,275
DAX	↓	15,136	-0.12%	15,154	15,136
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↓	12,340	-2.07%	12,601	12,340
Resources	↓	68,618	-0.76%	69,146	68,618
Industrials	↓	86,102	-0.12%	86,202	86,102
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↑	14.49	1.39%	14.30	14.49
N\$/Pound	↑	20.02	0.47%	19.93	20.01
N\$/Euro	↑	17.42	0.54%	17.33	17.41
US dollar/ Euro	↓	1.202	-0.83%	1.212	1.202
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>Apr 21</b>	<b>Mar 21</b>	<b>Apr 21</b>	<b>Mar 21</b>
Central Bank Rate	↔	3.75	3.75	3.50	3.50
Prime Rate	↔	7.50	7.50	7.00	7.00
		<b>Mar 21</b>	<b>Feb 21</b>	<b>Mar 21</b>	<b>Feb 21</b>
Inflation	↑	3.1	2.7	3.2	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 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



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**Bank Windhoek**

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