



The Daily Brief

 Capricorn Asset Management

Market Update

Wednesday, 04 August 2021



Global Markets

Shares advanced to one-week highs on Wednesday, led largely by strong U.S. corporate earnings, although the mood remained cautious as the rapidly spreading Delta variant of the coronavirus clouds the global economic outlook.

MSCI's broadest index of Asia-Pacific shares outside Japan climbed 0.1% to the highest since July 26. Japan's Nikkei was in the red as were Chinese shares with the blue-chip index off 0.2%. Australian shares were a touch firmer but sentiment was marred by an unabating rise in Delta infections in Sydney, the country's biggest city.

Stronger-than-expected profits from U.S. companies in recent weeks have ratcheted up already high Wall Street forecasts on how second-quarter earnings growth will look versus last year. Close to 90% of companies listed on the S&P500 have reported positive earnings surprises for the second quarter, according to National Australia Bank economist Tapas Strickland.

Analysts, however, cautioned about the rise in Delta infections of the coronavirus in Asia, with Chinese media reporting 31 provincial regions have warned residents against unnecessary travel in light of recent outbreaks. China on Wednesday reported 96 new confirmed coronavirus cases for Aug. 3, of which 71 were locally transmitted. "Wuhan has begun city-wide testing in an eerie echo

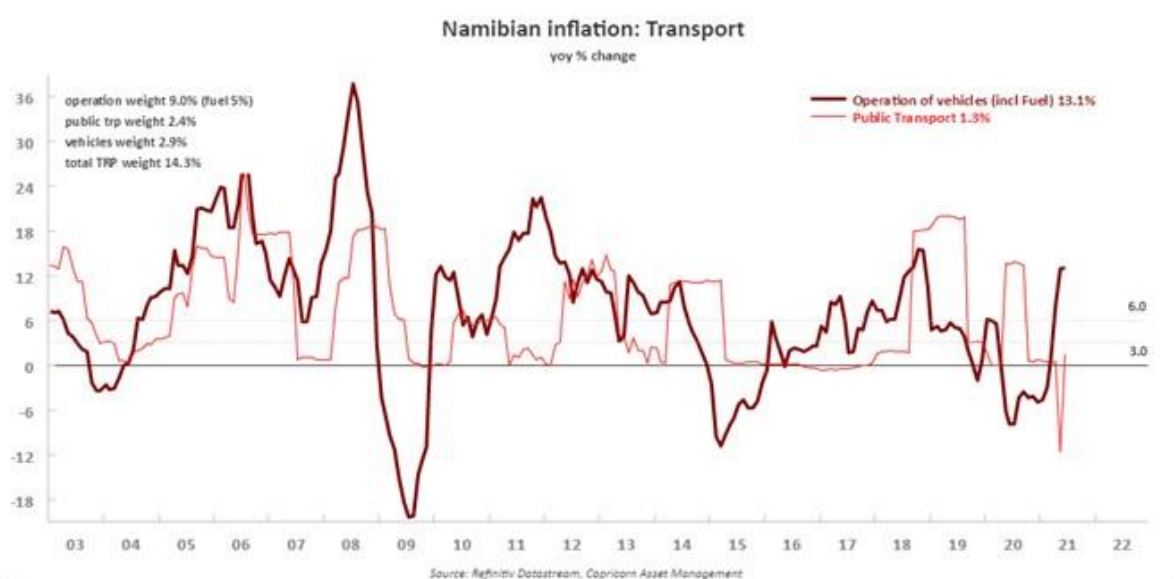
to the original COVID-19 outbreak," Strickland said. "While China's resolve to control outbreaks has been well illustrated, markets will continue to watch the outbreak given the high transmissibility of the Delta variant. There are also concerns China's domestic vaccines are less effective against the Delta variant."

Wall Street's main stock indexes were choppy but finished higher with notable gains from Apple Inc, Eli Lilly and Robinhood Markets Inc. The S&P 500 gained 0.8% to finish at 4,423.15 - another record closing high - while the Dow rose 0.8% and the Nasdaq added 0.6%.

Investors expect volatility to increase in August as more companies report earnings and the market hears from Federal Reserve officials in coming weeks. U.S. non-farm payroll numbers are due on Friday.

The U.S. dollar eased against the Japanese yen and Swiss franc as questions about slowing U.S. economic growth and the Delta variant challenged risk appetite. The dollar was near a two-month trough against the yen at 108.95. Against the Swiss Franc, the dollar hovered near its lowest since mid-June at \$0.9038. The New Zealand dollar bolted higher after super-strong jobs data cemented expectations for a hike in interest rates this month. The kiwi swung up to \$0.7046 NZD=D3, a gain of 1% for the week so far. The risk sensitive Australian dollar was relatively upbeat at \$0.7396, but that was largely due to a positive economic assessment by the country's central bank on Tuesday.

In commodities, Brent futures fell 20 cents to \$72.21 a barrel. U.S. crude settled down 32 cents at \$70.24 a barrel. Spot gold was flat at \$1,810.4 an ounce.



Domestic Markets

South Africa's rand strengthened further on Tuesday after a strong opening in early trade, cruising to a three-week high as the dollar weakened due to concerns around the coronavirus Delta variant and slowing U.S. growth. The rand traded at 14.3150 against the dollar at 1535 GMT, 1.07% firmer than its previous close.

"The rand continues to draw benefit from the weaker dollar even as numerous risks remain on the horizon," said Bianca Botes, director at Citadel Global. The dollar was on the back foot against the safe-haven yen and Swiss franc on Tuesday, dragged by soft U.S. manufacturing data and rising concerns about the Delta variant.

"The rand is expected to consolidate in a 14.35/14.55 range ahead of the US payrolls data on Friday," said Andre Cilliers, Currency Strategist at TreasuryONE. US non-farm payrolls is an important parameter to determine the Fed's future policy stance.

The two major market indexes on the Johannesburg Stock Exchange (JSE) slipped following a global sell-off in gaming companies led by China. While shares in local banks and commodity companies showed resilience, the overall impact was offset by index heavyweights Naspers and Prosus which crashed as investors dumped Tencent stock.

The benchmark all-share index closed 0.17% down to 68,706 points and the blue-chip index of top 40 companies ended down 0.26% to 62,543 points. Naspers and Prosus both fell by around 7%.

A state-owned media outlet in China on Tuesday branded online video games as "spiritual opium", triggering fears that the Chinese regulators will train their guns on gaming after a string of regulatory overhauls in past weeks have battered Chinese tech companies. Tencent is one of China's biggest video game companies and a little less than a third of it is owned by Prosus, a subsidiary of Naspers.

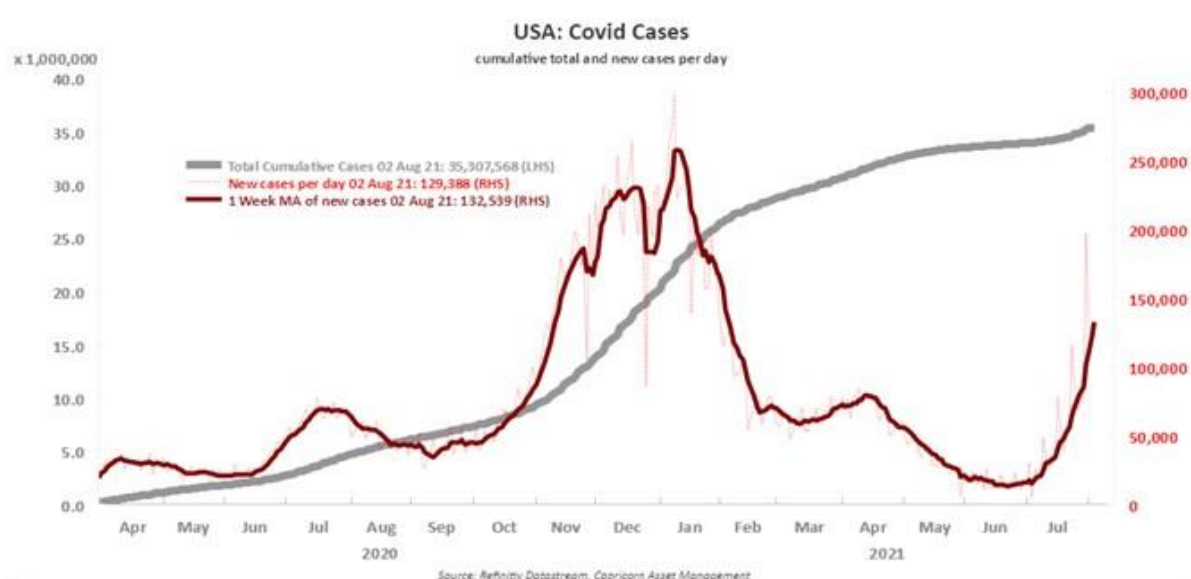
"It's coming in dribs and drabs," said Thato Mashigo, portfolio manager at Sanlam Private Wealth, on the regulatory tightening of tech firms in China, adding that this is leading to a lot of uncertainty in the market. "Ideally, you would want all the regulation to come at once. Investors could digest and re-price various sectors or companies accordingly."

In fixed income, the yield on the benchmark 2030 government bond was down two basis points to 8.815%.

Corona Tracker

| GLOBAL CASES SOURCE - REUTERS | | 04-Aug-2021 | |
|----------------------------------|-----------------|-------------|--------------|
| | Confirmed Cases | New Cases | Total Deaths |
| GLOBAL | 199,500,010 | 391,444 | 4,405,817 |

Source: Thomson Reuters



Market Overview

| MARKET INDICATORS (Thomson Reuters) | | | | 04 August 2021 | |
|-------------------------------------|---|------------|------------|----------------|--------------|
| Money Market TB Rates % | | Last close | Difference | Prev close | Current Spot |
| 3 months | ➡ | 4.28 | 0.000 | 4.28 | 4.28 |
| 6 months | ⬇ | 4.51 | -0.025 | 4.54 | 4.51 |
| 9 months | ⬇ | 4.77 | -0.025 | 4.80 | 4.77 |
| 12 months | ⬇ | 4.90 | -0.033 | 4.93 | 4.90 |
| Nominal Bond Yields % | | Last close | Difference | Prev close | Current Spot |
| GC21 (Coupon 7.75%, BMK R208) | ⬆ | 4.42 | 0.010 | 4.41 | 4.40 |
| GC22 (Coupon 8.75%, BMK R2023) | ⬆ | 5.63 | 0.010 | 5.62 | 5.63 |
| GC23 (Coupon 8.85%, BMK R2023) | ⬆ | 5.53 | 0.010 | 5.52 | 5.53 |
| GC24 (Coupon 10.50%, BMK R186) | ⬆ | 7.60 | 0.015 | 7.58 | 7.59 |
| GC25 (Coupon 8.50%, BMK R186) | ⬆ | 7.61 | 0.015 | 7.59 | 7.60 |
| GC26 (Coupon 8.50%, BMK R186) | ⬆ | 7.61 | 0.015 | 7.59 | 7.60 |
| GC27 (Coupon 8.00%, BMK R186) | ⬆ | 7.90 | 0.015 | 7.88 | 7.89 |
| GC30 (Coupon 8.00%, BMK R2030) | ⬆ | 9.10 | 0.025 | 9.07 | 9.09 |
| GC32 (Coupon 9.00%, BMK R213) | ⬆ | 10.10 | 0.020 | 10.08 | 10.09 |
| GC35 (Coupon 9.50%, BMK R209) | ⬆ | 11.06 | 0.015 | 11.04 | 11.05 |
| GC37 (Coupon 9.50%, BMK R2037) | ⬆ | 11.54 | 0.005 | 11.53 | 11.53 |
| GC40 (Coupon 9.80%, BMK R214) | ⬆ | 12.38 | 0.020 | 12.36 | 12.37 |
| GC43 (Coupon 10.00%, BMK R2044) | ➡ | 12.63 | 0.000 | 12.63 | 12.62 |
| GC45 (Coupon 9.85%, BMK R2044) | ➡ | 12.91 | 0.000 | 12.91 | 12.90 |
| GC48 (Coupon 10.00%, BMK R2048) | ⬆ | 13.00 | 0.015 | 12.98 | 12.99 |
| GC50 (Coupon 10.25%, BMK: R2048) | ⬆ | 12.94 | 0.015 | 12.92 | 12.93 |
| Inflation-Linked Bond Yields % | | Last close | Difference | Prev close | Current Spot |
| GI22 (Coupon 3.55%, BMK NCPI) | ➡ | 3.95 | 0.000 | 3.95 | 3.95 |
| 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) | ➡ | 6.19 | 0.000 | 6.19 | 6.19 |
| GI33 (Coupon 4.50%, BMK NCPI) | ➡ | 7.01 | 0.000 | 7.01 | 7.01 |
| GI36 (Coupon 4.80%, BMK NCPI) | ➡ | 7.61 | 0.000 | 7.61 | 7.61 |
| Commodities | | Last close | Change | Prev close | Current Spot |
| Gold | ⬇ | 1,810 | -0.19% | 1,813 | 1,812 |
| Platinum | ⬇ | 1,049 | -0.72% | 1,057 | 1,047 |
| Brent Crude | ⬇ | 72.4 | -0.66% | 72.9 | 72.4 |
| Main Indices | | Last close | Change | Prev close | Current Spot |
| NSX Overall Index | ⬆ | 1,493 | 1.81% | 1,467 | 1,493 |
| JSE All Share | ⬇ | 68,706 | -0.17% | 68,823 | 68,706 |
| SP500 | ⬆ | 4,423 | 0.82% | 4,387 | 4,423 |
| FTSE 100 | ⬆ | 7,106 | 0.34% | 7,082 | 7,106 |
| Hangseng | ⬇ | 26,195 | -0.16% | 26,236 | 26,489 |
| DAX | ⬇ | 15,555 | -0.09% | 15,569 | 15,555 |
| JSE Sectors | | Last close | Change | Prev close | Current Spot |
| Financials | ⬆ | 13,129 | 1.65% | 12,915 | 13,129 |
| Resources | ⬆ | 71,203 | 0.96% | 70,527 | 71,203 |
| Industrials | ⬇ | 86,170 | -1.79% | 87,739 | 86,170 |
| Forex | | Last close | Change | Prev close | Current Spot |
| N\$/US dollar | ⬇ | 14.30 | -1.10% | 14.46 | 14.29 |
| N\$/Pound | ⬇ | 19.90 | -0.86% | 20.08 | 19.89 |
| N\$/Euro | ⬇ | 16.96 | -1.16% | 17.16 | 16.96 |
| US dollar/ Euro | ⬇ | 1.186 | -0.06% | 1.187 | 1.187 |
| | | Namibia | | RSA | |
| Interest Rates & Inflation | | Jun 21 | May 21 | Jun 21 | May 21 |
| Central Bank Rate | ➡ | 3.75 | 3.75 | 3.50 | 3.50 |
| Prime Rate | ➡ | 7.50 | 7.50 | 7.00 | 7.00 |
| | | Jun 21 | May 21 | Jun 21 | May 21 |
| Inflation | ⬆ | 4.1 | 3.8 | 4.9 | 5.2 |

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



Capricorn Asset Management



Bank Windhoek

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**
