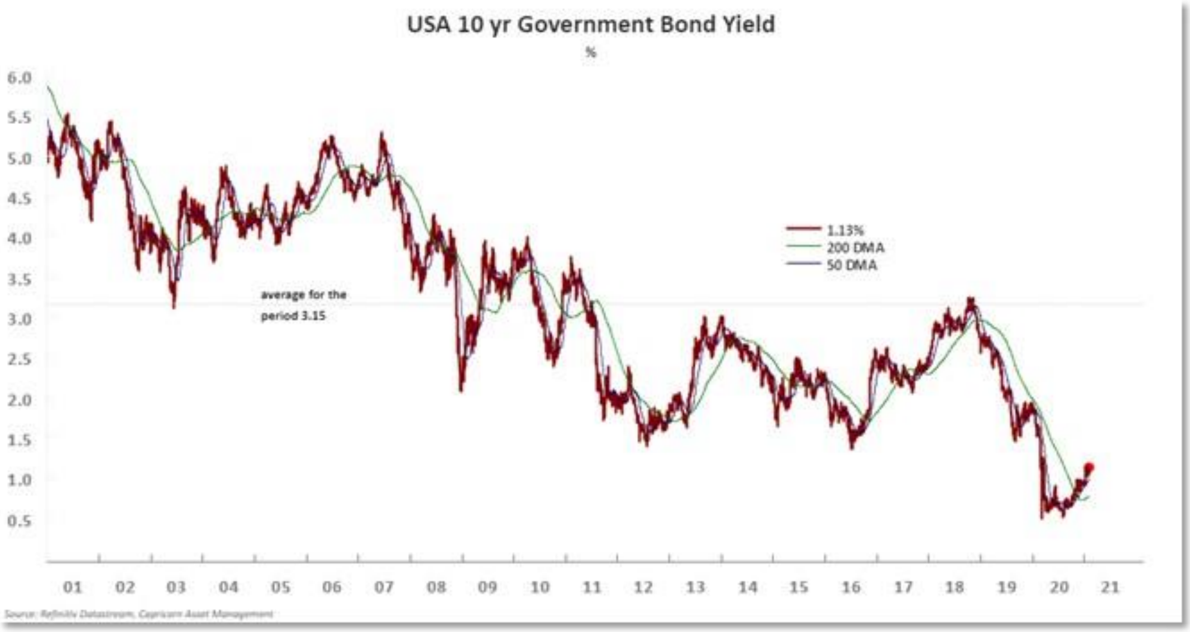
The Daily Brief

Capricorn Asset Management

Market Update Thursday, 04 February 2021



Global Markets

Asian shares dipped on Thursday as tight liquidity conditions in China curbed buying for now, though improving corporate earnings, expectations of large U.S. stimulus and subsiding retail frenzy all supported risk sentiment. U.S. bond prices extended their decline, with the 30-year yield hitting its highest level since March, following stronger economic data and a push in Washington to pass a massive relief plan.

MSCI's ex-Japan Asian-Pacific index dipped 0.2% while Japan's Nikkei lost 0.4%, both snapping a three-day winning streak. Asian shares were hampered by tight liquidity in China after the country's short-term interest rates rose again, reversing falls in the previous two days. "In Asia, risk assets have been sensitive to liquidity conditions in China as authorities have been tightening their stance in recent weeks," said Masahiko Loo, portfolio manager at AllianceBernstein. Higher interest rates raised worries Chinese policymakers may be starting to shift to a tighter stance to rein in share prices and property markets.

The lacklustre start to Asian trade followed a tepid Wall Street session. The S&P 500 gained 0.10% while the Nasdaq Composite lost 0.02%. NYSE Fang+ index of leading tech giants hit an intraday record high, thanks to 7.4% gain in Google parent Alphabet following its strong earnings.

Markets on the whole have calmed significantly in the past few days with measure of investors' expectations on market volatilities such as the Cboe Volatility index slipping back to the lowest levels in over a week. As retail trading frenzy faded, stock prices of GameStop and other social media favourites subsided, while silver also steadied, having already wiped out gains made on Monday.

Expectations of a large U.S. stimulus package underpin risk assets as the Democratic-controlled U.S. Congress pushed ahead with a manoeuvre to pass President Joe Biden's $1.9 trillion COVID-19 relief package without Republican support. While it is unclear how much compromise the Democrats are willing to make with Republicans who are calling for a smaller package, many investors expect an additional spending of at least $1 trillion. "Either way, U.S. stimulus will push economic growth even higher after the first quarter and buoy risk market sentiment globally," said John Vail, chief global strategist at Nikko Asset Management.

U.S. bonds reacted strongly to the possibility of bigger borrowing, with the 30-year bond last up 2.2 basis points at 1.934%, a level last seen in late March. The benchmark 10-year yield rose 1.8 basis points to 1.149%, edging near 10-month high of 1.187% marked in January.

In the currency market, rising U.S. yields helped the dollar against its peers, with its index staying near its highest levels in about two months. In addition, some market players say the U.S. lead in vaccinations over other nations is starting to boost the prospects of an earlier economic recovery in the United States, helping the dollar. Against the yen, the dollar changed hands at 105.04, near Tuesday's high of 105.17, its highest level since mid-November. The euro stood at $1.20365, having hit a two-month low of $1.2004 overnight. The common currency failed to capitalise on improved sentiment in Italy, where government bond yields tumbled after former European Central Bank chief Mario Draghi accepted the task of trying to form a new government.

Gold also fell 0.6% to $1,821.90 per ounce. Oil markets continued to advance as U.S. inventories hit their lowest level in almost a year. U.S. crude rose 0.75% to $56.11 per barrel and Brent gained 0.67% to $58.85. Both stood near their highest levels in about 11 months.

Domestic Markets

South Africa's rand strengthened on Wednesday, extending recent gains, as global appetite for risk and high yields rose on optimism around vaccine rollouts. By 1505 GMT, the rand had firmed by 0.13% to 14.9450 against the U.S. dollar.

South Africa has enjoyed slightly better bond investment inflows than other emerging markets, largely a function of the high yield on offer, with the central bank set to keep lending rates steady in 2021. Offshore investors bought 2.68 billion rand ($179.53 million) of bonds last week, marking three straight weeks of inflows, data from the Johannesburg Stock Exchange showed on Tuesday.

Sentiment has also been buoyed by South Africa receiving its first COVID-19 vaccines this week as it eases lockdown restrictions.

"If yesterday's (Tuesday) nominal auction was anything to go by, it is clear that SA government bonds still have enough gas left in the tank and continue to enjoy much favour and support from offshore investors," RMB analyst Tebogo Mekgwe said in a note. "The local currency is finding itself in familiar territory, straddling below the 15.00 handle."

Bonds also firmed, with the yield on the benchmark 2030 government issue down 9.5 basis points at 8.450%. Upbeat sentiment was further reinforced by global markets, which surged on expected news of a solid stimulus package from U.S. President Joe Biden's administration.

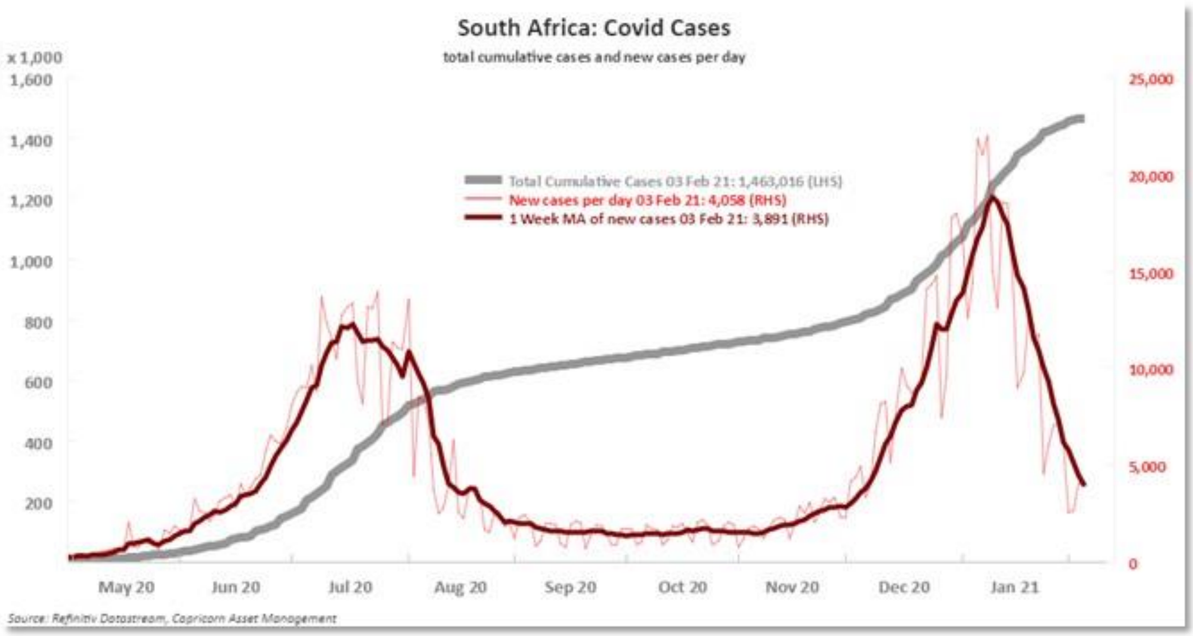
South Africa's FTSE/JSE all-share index closed 0.44% up at 63,010 points while the blue-chip FTSE/JSE top 40 index gained 0.42% to 57,829 points. Commodities companies were among the best performers, helping the platinum miners index to a 1.5% gain while the coal miners index rose 2.2%, driven by higher commodity prices.

Corona Tracker

GLOBAL CASES SOURCE - REUTERS	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	104,393,529	14,858	2,267,448	67,494,806

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

Source: Thomson Reuters



> There is only one corner of the universe you can be certain of improving, and that's your own self.
>
> **Aldous Huxley**

Market Overview

MARKET INDICATORS (Thomson Reuters)					04 February 2021
Money Market TB Rates %		**Last close**	**Difference**	**Prev close**	**Current Spot**
3 months		4.16	0.000	4.16	4.16
6 months		4.50	0.000	4.50	4.50
9 months		4.53	-0.009	4.54	4.53
12 months		4.58	-0.009	4.59	4.58
Nominal Bond Yields %		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC21 (Coupon 7.75%, BMK R208)		4.35	0.000	4.35	4.35
GC22 (Coupon 8.75%, BMK R2023)		5.27	0.020	5.25	5.29
GC23 (Coupon 8.85%, BMK R2023)		5.17	0.020	5.15	5.19
GC24 (Coupon 10.50%, BMK R186)		6.93	0.010	6.92	6.98
GC25 (Coupon 8.50%, BMK R186)		6.94	0.010	6.93	6.99
GC26 (Coupon 8.50%, BMK R186)		6.94	0.010	6.93	6.99
GC27 (Coupon 8.00%, BMK R186)		7.23	0.010	7.22	7.28
GC30 (Coupon 8.00%, BMK R2030)		8.73	-0.115	8.85	8.79
GC32 (Coupon 9.00%, BMK R213)		9.85	-0.140	9.99	9.91
GC35 (Coupon 9.50%, BMK R209)		11.00	-0.130	11.13	11.04
GC37 (Coupon 9.50%, BMK R2037)		11.60	-0.140	11.74	11.58
GC40 (Coupon 9.80%, BMK R214)		12.29	-0.145	12.44	12.35
GC43 (Coupon 10.00%, BMK R2044)		12.63	-0.150	12.78	12.69
GC45 (Coupon 9.85%, BMK R2044)		12.91	-0.150	13.06	12.97
GC50 (Coupon 10.25%, BMK: R2048)		12.94	-0.140	13.08	13.00
Inflation-Linked Bond Yields %		**Last close**	**Difference**	**Prev close**	**Current Spot**
GI22 (Coupon 3.55%, BMK NCPI)		4.10	0.000	4.10	4.10
GI25 (Coupon 3.80%, BMK NCPI)		4.25	0.000	4.25	4.25
GI29 (Coupon 4.50%, BMK NCPI)		5.73	0.000	5.73	5.73
GI33 (Coupon 4.50%, BMK NCPI)		6.82	0.000	6.82	6.82
GI36 (Coupon 4.80%, BMK NCPI)		7.27	0.000	7.27	7.27
Commodities		**Last close**	**Change**	**Prev close**	**Current Spot**
Gold		1,834	-0.20%	1,837	1,816
Platinum		1,101	0.60%	1,094	1,082
Brent Crude		58.5	1.74%	57.5	58.8
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index		1,237	0.10%	1,236	1,237
JSE All Share		63,011	0.44%	62,734	63,011
SP500		3,830	0.10%	3,826	3,830
FTSE 100		6,508	-0.14%	6,517	6,508
Hangseng		29,307	0.20%	29,249	28,954
DAX		13,934	0.71%	13,835	13,934
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials		11,851	0.19%	11,828	11,851
Resources		59,967	0.58%	59,622	59,967
Industrials		85,954	0.33%	85,671	85,954
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar		14.94	-0.13%	14.96	14.99
N$/Pound		20.38	-0.29%	20.44	20.38
N$/Euro		17.97	-0.20%	18.01	18.00
US dollar/ Euro		1.203	-0.07%	1.204	1.201
		Namibia		**RSA**	
Interest Rates & Inflation		**Dec 20**	**Nov 20**	**Dec 20**	**Nov 20**
Central Bank Rate		3.75	3.75	3.50	3.50
Prime Rate		7.50	7.50	7.00	7.00
		Dec 20	**Nov 20**	**Dec 20**	**Nov 20**
Inflation		2.4	2.2	3.1	3.2

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: Bloomberg

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