

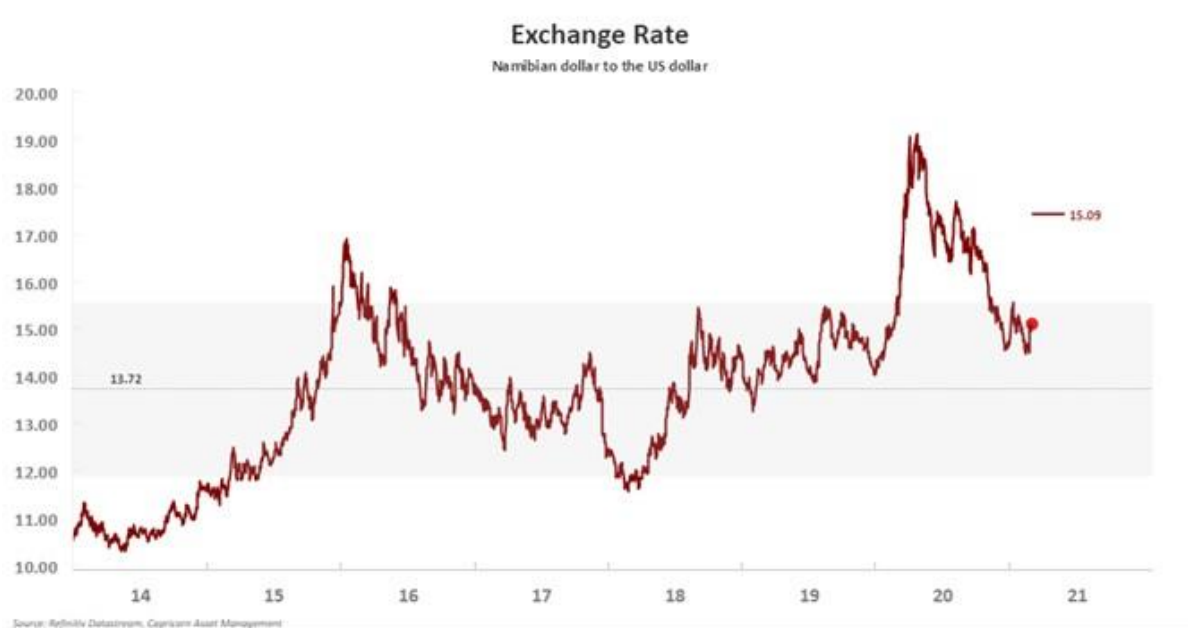


The Daily Brief

 Capricorn Asset Management

Market Update

Thursday, 04 March 2021



Global Markets

Resurgent worries about rising U.S. bond yields hit global shares on Thursday as investors waited to see if Federal Reserve Chair Jerome Powell will address concerns about the risk of a rapid rise in long-term borrowing costs. The spectre of higher U.S. bond yields also undermined low-yielding, safe-haven assets, such as the yen, the Swiss franc and gold.

Benchmark 10-year U.S. Treasuries rose to 1.477% as investors bet U.S. inflation could pick up as an economic recovery gathers steam, driven by government stimulus and further progress in vaccination programmes. "It is not clear how the Fed wants to deal with bond yields," said Hirokazu Kabeya, chief global strategist at Daiwa Securities. "The pace of rises in yields has been far faster than most people have expected and there's speculation the authorities may be starting to think about tightening their policy."

The MSCI's ex-Japan Asian-Pacific shares lost 1.7% in early trade while Japan's Nikkei fell 1.9%. E-mini S&P futures slipped 0.4% while the futures for the Nasdaq, the unequivocal leader of the post-pandemic rally, fell 0.6% to a two-month low. Tech shares are vulnerable because their lofty valuation has been supported by expectations of a prolonged period of low interest rates.

Powell is due to speak at 12:05 p.m. EST (1705 GMT). Many Fed officials have downplayed the rise in Treasury yields in recent days, although Fed Governor Lael Brainard on Tuesday acknowledged concerns over the possibility a rapid rise in yields could dampen economic activity. The market will have to grapple with a huge increase in debt sales after rounds of stimulus to deal with a recession triggered by the pandemic.

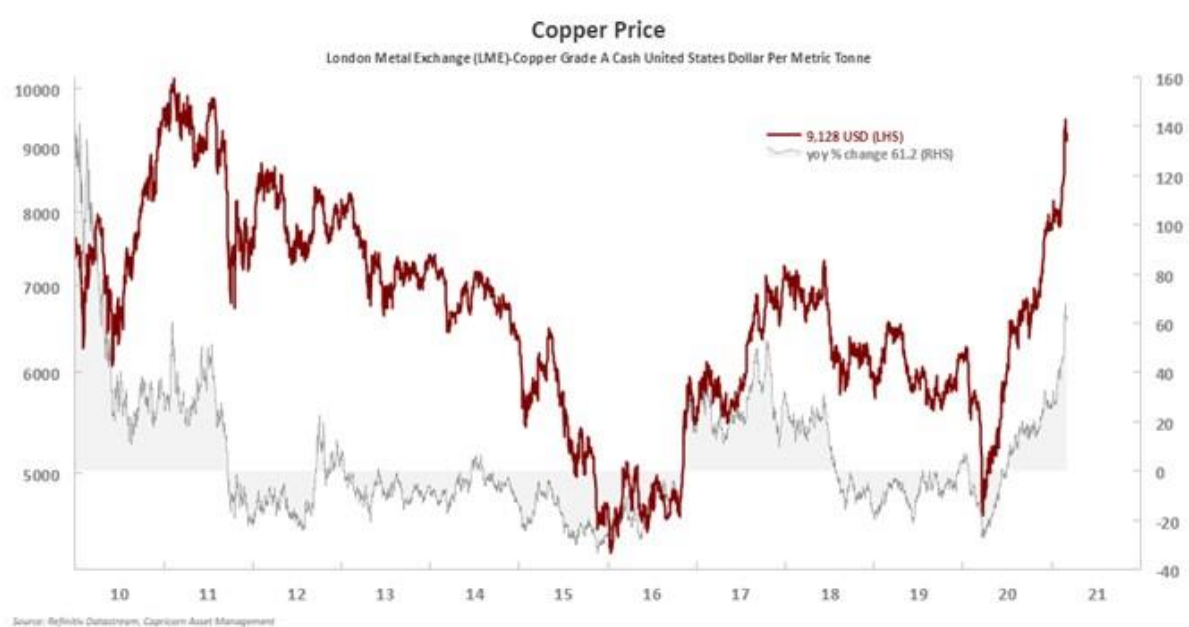
The issue is not limited to the United States, with the 10-year UK Gilts yield jumping back to 0.779%, near its 11-month high of 0.836% hit last week, after the government unveiled much higher borrowing.

Currency investors continued to snap up dollars as they bet on a U.S. economy outshining its peers in the developed world in coming months. The dollar rose to a seven-month high of 107.16 yen. "U.S. dollar/yen has been on a one-way trajectory since the start of 2021," said Joseph Capurso, head of international economics at the Commonwealth Bank of Australia. "The brightening outlook for the world economy is a positive for both U.S. dollar/yen and Australian dollar/yen." Other safe-haven currencies were soft, with the Swiss franc flirting with a four-month low against the dollar and a 20-month trough versus the euro. Other major currencies were little moved, with the euro flat at \$1.2054.

Gold hit a nine-month low of \$1,702.8 per ounce on Wednesday and last stood at \$1,711.5.

Investor focus on a U.S. economic rebound was unshaken by data released overnight that showed the U.S. labour market struggling in February, when private payrolls rose less than expected.

Oil prices rose for a second straight session early on Thursday, as the possibility that OPEC+ producers might decide against increasing output at a key meeting later in the day underpinned alongside a drop in U.S. fuel inventories. U.S. crude rose 0.3% to \$61.44 per barrel.



Domestic Markets

South Africa's rand weakened late on Wednesday, reversing some gains made earlier in the session, as data pointed to a slower recovery in factory activity. At 1508 GMT the rand was 0.47% weaker against the dollar at 15.0100.

A survey showed that South African private sector activity expanded in February, but at a slightly slower pace than the previous month.

The rand rallied to a year's best of 14.3950 a week ago on fiscal consolidation plans laid out by South Africa's finance minister, but has struggled to strengthen further, with doubts remaining over how quickly the country can achieve sustainable fiscal improvement.

Investors also weighed the prospect of further loosening of monetary policy globally against signs of returning inflation. "The market is still trying to make sense of the tidal wave of stimulus that has hit financial markets over the past year, and the longer-term impact thereof on inflation and prospective monetary policy," said economists at ETM Analytics. "While fundamentals point to sustained USD weakness, a large contingent of investors is betting that these fundamentals are changing as the global economy reflate more rapidly than many had previously expected."

Stocks failed to hold on to another record high hit earlier in the session, snapping a two-day winning streak as weak bullion, aluminium and platinum prices took the shine out of miners and explorers exposed to those commodities. Weak earnings results and outlook also dampened sentiment.

Mining heavyweights BHP Group fell 4.09% and Anglo American PLC fell 0.95%, while Impala Platinum closed 1.52% weaker. Standard Bank slid 1.20% after Africa's largest bank by assets said it expects annual earnings to drop in the range of 40%-50%. Meanwhile shares in banking group Sasfin also fell 1.54% after it reported a 65.8% drop in half-year headline earnings per share, the main measure of profit in the country. Engineering and construction services firm Murray & Roberts fell 3.01% after it incurred an attributable half-year loss of 167 million rand (\$11.13 million).

Overall, the Johannesburg All-Share index closed 0.27% down at 68,326 points, reversing earlier gains as it retreated from a record high of 69,403 points. The Top 40 index fell 0.39% to 62,861 points, also from a record high of 63,969 points.

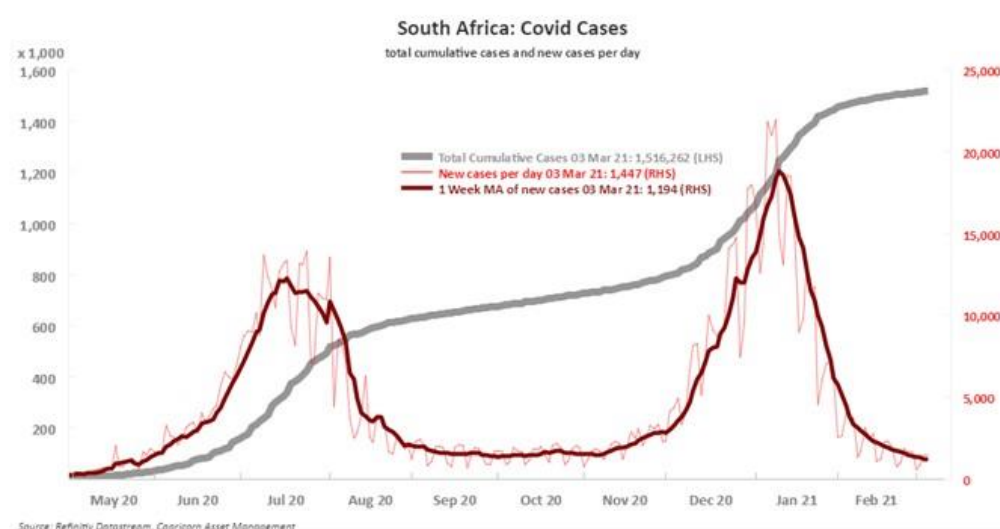
Bonds weakened, with the yield on the 2030 government bond adding 2 basis points to 9.045%.

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		04-Mar-2021		5:48
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	115,068,336	195,256	2,657,788	76,289,098

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

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)				04 March 2021	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	➡	4.16	0.000	4.16	4.16
6 months	➡	4.56	0.000	4.56	4.56
9 months	➡	4.65	0.000	4.65	4.65
12 months	➡	4.82	0.000	4.82	4.82
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	➡	4.15	0.000	4.15	4.15
GC22 (Coupon 8.75%, BMK R2023)	⬆	5.91	0.045	5.87	5.99
GC23 (Coupon 8.85%, BMK R2023)	⬆	5.81	0.045	5.77	5.89
GC24 (Coupon 10.50%, BMK R186)	⬆	7.62	0.025	7.60	7.72
GC25 (Coupon 8.50%, BMK R186)	⬆	7.63	0.025	7.61	7.73
GC26 (Coupon 8.50%, BMK R186)	⬆	7.63	0.025	7.61	7.73
GC27 (Coupon 8.00%, BMK R186)	⬆	7.92	0.025	7.90	8.02
GC30 (Coupon 8.00%, BMK R2030)	⬆	9.35	0.040	9.31	9.45
GC32 (Coupon 9.00%, BMK R213)	⬆	10.37	0.030	10.34	10.47
GC35 (Coupon 9.50%, BMK R209)	⬆	11.31	0.070	11.24	11.43
GC37 (Coupon 9.50%, BMK R2037)	⬆	11.85	0.070	11.78	11.97
GC40 (Coupon 9.80%, BMK R214)	⬆	12.67	0.085	12.58	12.77
GC43 (Coupon 10.00%, BMK R2044)	⬆	12.98	0.090	12.89	13.08
GC45 (Coupon 9.85%, BMK R2044)	⬆	13.26	0.090	13.17	13.36
GC50 (Coupon 10.25%, BMK: R2048)	⬆	13.28	0.080	13.20	13.39
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	➡	4.20	0.000	4.20	4.20
GI25 (Coupon 3.80%, BMK NCPI)	➡	4.25	0.000	4.25	4.25
GI29 (Coupon 4.50%, BMK NCPI)	➡	5.69	0.000	5.69	5.69
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
Commodities		Last close	Change	Prev close	Current Spot
Gold	⬇	1,711	-1.56%	1,738	1,717
Platinum	⬇	1,167	-3.12%	1,205	1,168
Brent Crude	⬆	64.1	2.19%	62.7	64.5
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬇	1,382	-0.38%	1,387	1,382
JSE All Share	⬇	68,327	-0.27%	68,511	68,327
SP500	⬇	3,820	-1.31%	3,870	3,820
FTSE 100	⬆	6,675	0.93%	6,614	6,675
Hangseng	⬆	29,880	2.70%	29,096	29,162
DAX	⬆	14,080	0.29%	14,040	14,080
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬆	12,572	0.02%	12,568	12,572
Resources	⬇	69,226	-1.86%	70,540	69,226
Industrials	⬆	89,680	0.59%	89,151	89,680
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬆	15.09	1.04%	14.93	15.07
N\$/Pound	⬆	21.05	1.05%	20.83	21.02
N\$/Euro	⬆	18.20	0.82%	18.05	18.16
US dollar/ Euro	⬇	1.206	-0.22%	1.209	1.206
		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
		Jan 21	Dec 20	Jan 21	Dec 20
Inflation	⬆	2.7	2.4	3.2	3.1

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



Capricorn Asset Management



Bank Windhoek

For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na

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