

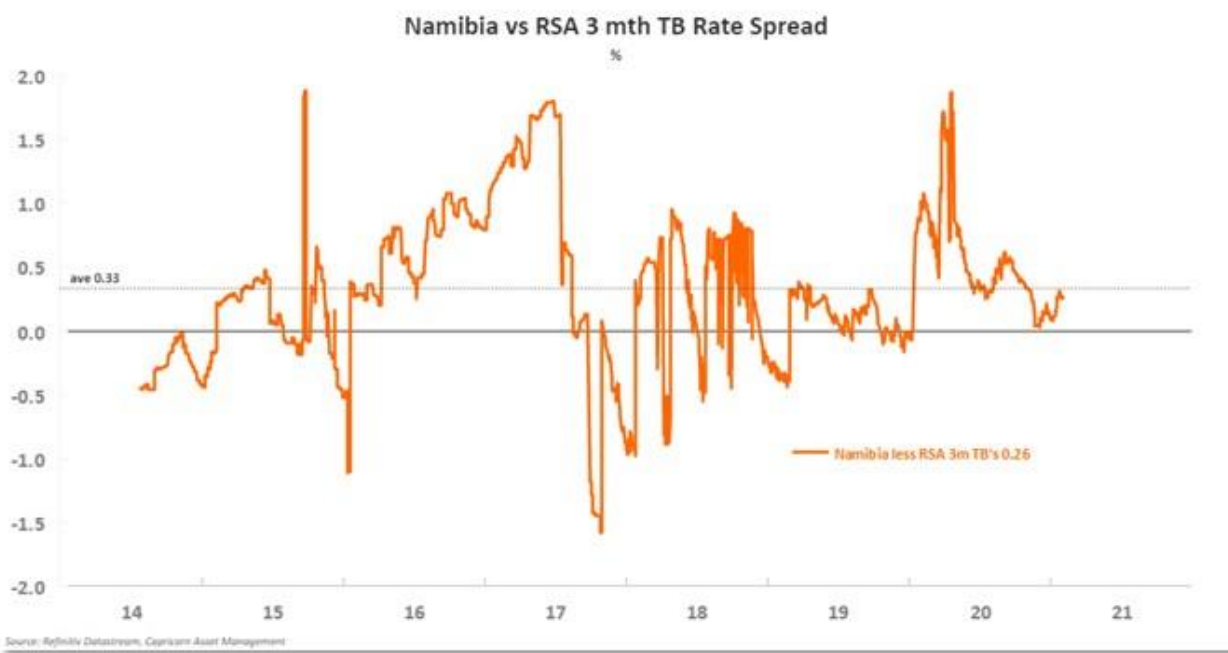


The Daily Brief

Capricorn Asset Management

Market Update

Friday, 05 February 2021



Global Markets

Global shares closed in on their record peak on Friday, with Asian shares taking their lead from Wall Street, as progress in vaccine distribution prompted bets on further normalisation in the global economy and earnings recovery.

MSCI's gauge of Asian shares outside Japan rose 0.4% while Japan's Nikkei rallied 1%. An index of the world's major 50 markets, MSCI ACWI, extended its gains into a fifth straight day to come within reach of a record high touched about two weeks ago. On Wall Street, each of major indexes rose more than 1% on Thursday, with the Nasdaq Composite Index and S&P 500 setting record highs.

"What's driving the market is corporate earnings are posting a strong recovery," said Jumpei Tanaka, strategist at Pictet. "And there are piles of money saved in MMF (money market funds) and elsewhere that are likely to be invested in stocks once the economy normalises as vaccination programmes progress."

Expectations of a large stimulus by the Biden administration also supported risk sentiment while better-than-expected data on U.S. job markets published in the past two days is fanning a bullish mood on the upcoming payroll report due later in the day.

Longer-term U.S. Treasury yields rose in anticipation of a large pandemic relief bill from Washington as well as on heightening inflation expectations. The benchmark 10-year yield stood at 1.136%, having risen to a three-week high of 1.162% the previous day while the 30-year bonds yielded 1.929%, near its 10 1/2-month high of 1.951% touched on Thursday. Bond yields rose in Europe as well, with Germany's 30-year government bond yield climbing back in positive territory for the first time since September. A market gauge of future U.S. inflation was at its highest since October 2018 while that for the euro zone hit its highest since May 2019.

In the currency market, the dollar strengthened against most of its peers as traders' focus appeared to shift to the relative strength of the U.S. growth. Until recent weeks, the dollar had been sold on expectations that global economic recovery will promote outflows of funds to riskier currencies from the safe-haven dollar. The U.S. dollar index stood near a two-month high, having risen 1.1% so far this week, on course for its biggest weekly increase since October. The euro changed hands at \$1.1964, having hit a two-month low of \$1.1955 overnight while the yen hit a 3-1/2-month low of 105.70 per dollar.

"It seems markets are now trying to trade on economic normalisation based on progress in vaccination," said Arihiro Nagata, general manager of global investment at Sumitomo Mitsui Bank. "The fact that the only currencies that are doing better than the dollar over the past two days are the British pound and the Israeli shekel, the two countries that are going further ahead in vaccination, seems to support that." The British pound stood at \$1.3678 not far from its 2 1/2-year peak of \$1.3759 hit late last month. The shekel rose over the past two days, reversing its decline since mid-January after the Bank of Israel intervened to stem the shekel's strength after it had hit a 24-year high.

Strength in the dollar pushed gold to a two-month low of \$1,785.10 per ounce on Thursday. The metal was last traded at \$1,797.40. Oil extended its gains on upbeat economic mood, falling inventories and the OPEC+ decision to stick to its output cuts. U.S. crude rose 1% to \$56.80 per barrel and Brent was at \$59.38, up 0.9%.

Domestic Markets

South Africa's rand weakened on Thursday, backtracking for the first time this week, as data pointing to an improvement in the U.S. economic outlook lifted the dollar. At 1500 GMT, the rand was 0.95% weaker at 15.0825 against the U.S. dollar.

In previous sessions, the rand was supported by the global search for yield by investors unsure of the direction of lending rates in developed economies. The currency gained more than 1.5% in the first three days of the week. But on Thursday, a stronger dollar weighed on the rand.

With no local data due the rest of the week and U.S. non-farm payrolls set for release on Friday, traders expect the rand to trade in a narrow range.

"The USD-ZAR has traded with a topside tilt overnight, with momentum having shifted after the pair was unable to sustain a break below the 14.9000 support level yesterday," economists at ETM Analytics said in a note. "The pair looks comfortable pivoting around 15.0000 for now, and may need a strong catalyst to break out of this pattern."

Stocks firmed, led by consumer facing stocks and banking and financial stocks as investors looked to eased lockdown restrictions to help the retail, restaurant and hospitality sectors. Leading the gainers, hotel and casino owner Sun International shot up 11.90%. General retailers rose 3.89%, while the financial index increased 2.99%.

Energy and chemicals company Sasol Ltd jumped 4.64%, while mobile network operator MTN Group, which has operations in Nigeria, rose 4.50%, benefiting from higher oil prices.

The Johannesburg All-Share index closed the session 1.23% firmer at 63,786 points, while the Top-40 index rose 1.15% to 58,493 points.

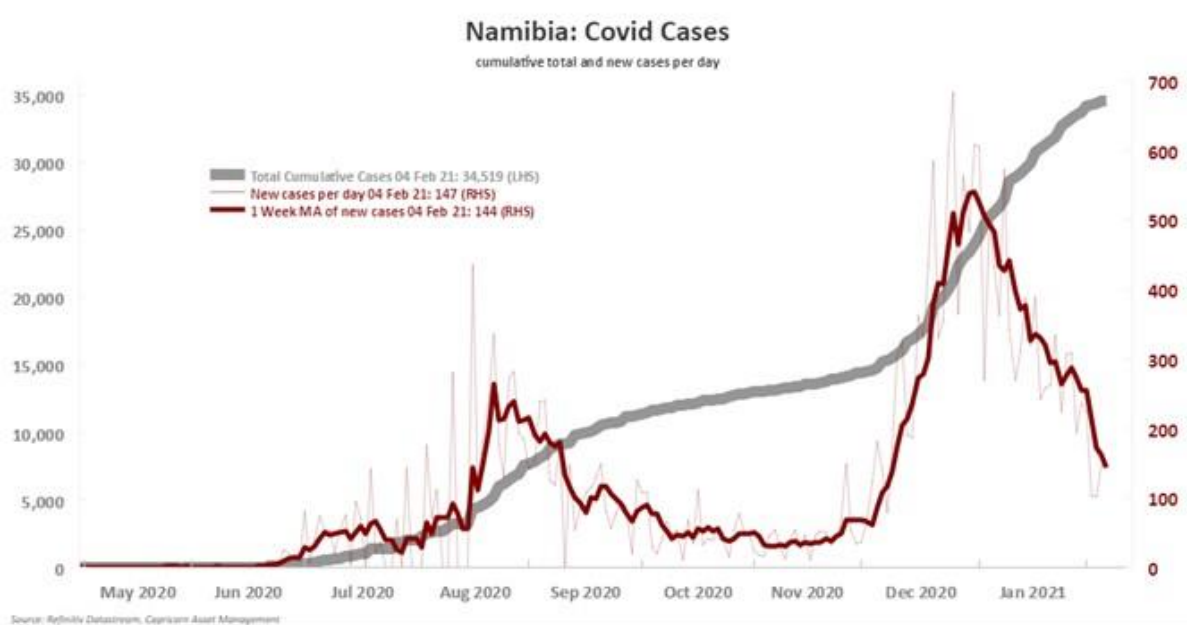
In fixed income, the yield on the benchmark 2030 government issue was down 0.5 basis point to 8.45%.

Corona Tracker

GLOBAL CASES		05-Feb-2021		5:32
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	104,694,376	297,115	2,276,158	67,746,236

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

Source: Thomson Reuters



Even if you're on the right track, you'll get run over if you just sit there.

Will Rogers

Market Overview

MARKET INDICATORS (Thomson Reuters)		05 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	↑	4.51	0.009	4.50	4.51
9 months	↑	4.55	0.017	4.53	4.55
12 months	↑	4.59	0.009	4.58	4.59
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)	↑	5.30	0.025	5.27	5.30
GC23 (Coupon 8.85%, BMK R2023)	↑	5.20	0.025	5.17	5.20
GC24 (Coupon 10.50%, BMK R186)	↑	6.94	0.005	6.93	6.93
GC25 (Coupon 8.50%, BMK R186)	↑	6.95	0.005	6.94	6.94
GC26 (Coupon 8.50%, BMK R186)	↑	6.95	0.005	6.94	6.94
GC27 (Coupon 8.00%, BMK R186)	↑	7.24	0.005	7.23	7.23
GC30 (Coupon 8.00%, BMK R2030)	↑	8.74	0.010	8.73	8.74
GC32 (Coupon 9.00%, BMK R213)	↑	9.86	0.010	9.85	9.86
GC35 (Coupon 9.50%, BMK R209)	↓	10.99	-0.015	11.00	10.98
GC37 (Coupon 9.50%, BMK R2037)	↓	11.53	-0.070	11.60	11.53
GC40 (Coupon 9.80%, BMK R214)	→	12.29	0.000	12.29	12.30
GC43 (Coupon 10.00%, BMK R2044)	↑	12.64	0.010	12.63	12.64
GC45 (Coupon 9.85%, BMK R2044)	↑	12.92	0.010	12.91	12.92
GC50 (Coupon 10.25%, BMK: R2048)	↑	12.95	0.010	12.94	12.94
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	↓	1,792	-2.26%	1,834	1,797
Platinum	↓	1,097	-0.32%	1,101	1,103
Brent Crude	↑	58.8	0.65%	58.5	59.3
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,261	1.94%	1,237	1,261
JSE All Share	↑	63,786	1.23%	63,011	63,786
SP500	↑	3,872	1.09%	3,830	3,872
FTSE 100	↓	6,504	-0.06%	6,508	6,504
Hangseng	↓	29,114	-0.66%	29,307	29,316
DAX	↑	14,060	0.91%	13,934	14,060
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	12,205	2.99%	11,851	12,205
Resources	↑	60,380	0.69%	59,967	60,380
Industrials	↑	86,803	0.99%	85,954	86,803
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	15.00	0.40%	14.94	14.99
N\$/Pound	↑	20.50	0.59%	20.38	20.50
N\$/Euro	↓	17.94	-0.19%	17.97	17.93
US dollar/ Euro	↓	1.196	-0.60%	1.203	1.196
		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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