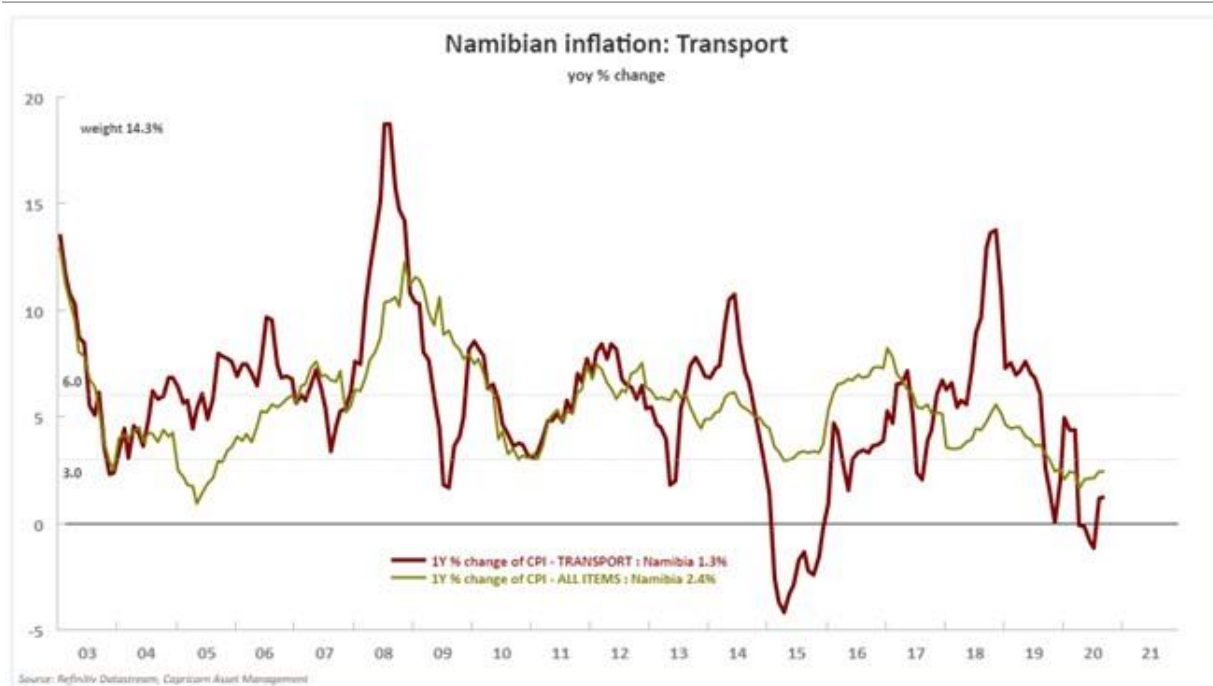


The Daily Brief

 Capricorn Asset Management

Market Update

Tuesday, 10 November 2020



Global Markets

Asian share markets mostly shot higher on Tuesday driven by regional airline, tourism and travel stocks as global investors applauded progress in the development of a coronavirus vaccine which lifted confidence in a world economic recovery.

Pfizer Inc said its COVID-19 vaccine, developed with German partner BioNTech SE, was more than 90% effective in preventing infection, marking the first successful results from a large-scale clinical trial. "Markets will remain on the lookout for more promising vaccine data in addition to news of a fiscal reboot," PineBridge Investments portfolio manager Mary Nicola told Reuters.

The vaccine news sparked renewed optimism in equities around the world but oil prices slipped in Asian trade after posting the biggest one-day percentage gain in five months. However, some analysts sounded caution over the speed in which the vaccine could be implemented. "Given more tests are needed, then the approval process. Manufacturing and distribution would mean the vaccine, if truly effective, is still months away from mass deployment," said Tai Hui, chief Asia market strategist at JPMorgan Asset Management. Brazil's health regulator said on Monday it had suspended clinical trials for China's Sinovac coronavirus vaccine after adverse effects had emerged.

Japan's Nikkei 225 rose 1.1% after reaching a 29-year high in early trade and Australia's ASX 200 rose 1.6%. Hong Kong's Hang Seng index futures was up 1% in early trade but there was marginal weakness in China as the CSI300 Index slipped by 0.24%. MSCI's broadest index of Asia-Pacific shares outside Japan was 0.12% higher.

Airline, travel and tourism stocks across Asia were beneficiaries of the optimism prompted by the vaccine announcement. Qantas Airways gained 8.6% to hit its highest level since March, Japan Airlines shot 17.6% higher and ANA Holdings rose 16.4%. In Hong Kong, Cathay Pacific Airways shares jumped 14.9%, the best since July. "Markets will get ahead of themselves in the short term with the vaccine news but longer term it feels like it is going higher," Ord Minnett advisor John Milroy said from Sydney.

Early Tuesday, Japan's Prime Minister Yoshihide Suga instructed his cabinet to design a fresh stimulus package to help revive the nation's flagging economy to offset the ongoing effects of coronavirus. The stronger performance on Asian markets followed the positive lead overnight from the United States and Europe.

On Wall Street, the Dow Jones Industrial Average rose 2.95%, the S&P 500 gained 1.17% while the Nasdaq Composite dropped 1.53%. E-mini futures for the S&P 500 rose 0.47%. Pfizer's announcement jolted European shares to an eight-month high, building on expectations of more stable trade policies following the U.S. election. While stocks have also rallied on the assumption that Democrat Joe Biden would be the next U.S. President, the top Republican in U.S. Congress on Monday did not acknowledge Biden as president-elect, raising concerns about a rough transition of power. Senator Mitch McConnell said in a speech that President Donald Trump was well within his rights to look into charges of election "irregularities" but did not offer any evidence of fraud.

The Australian dollar fell 0.18% versus the greenback at \$0.7272. The yen strengthened 0.3% to 105.03 per dollar, while sterling was last trading at \$1.3174, up 0.09% on the day. The vaccine news also sent long-dated U.S. Treasury yields sky-rocketing in their biggest one-day jump since March. The yield curve, an indication of risk appetite, hit its steepest level since March. Bonds had their biggest selloff since recoiling from March peaks. The yield on benchmark 10-year U.S. government debt, which rises when prices fall, jumped 10.3 basis points on Monday and held above 0.9% on Tuesday at 0.9099%.

The CBOE Market Volatility index, a barometer of investor anxiety, hit its lowest closing level since late August. Oil prices surged, posting their biggest daily percentage gain in more than five months as the vaccine news and an OPEC output deal fuelled optimism about rebounding demand. However, in Asian trade some of the momentum fell away. Light crude oil fell by 1.49% during the Asian session to \$39.69 a barrel while Brent crude slipped 1.25%. Spot gold added 0.32% to \$1,867.6 an ounce.

Domestic Markets

South Africa's stock exchange was propelled to its highest level since August and was hovering close to its yearly high at 1200 GMT on drugmaker Pfizer's announcement that its trial vaccine has been highly effective in preventing COVID-19.

Pfizer Inc said on Monday its trial vaccine was more than 90% effective in preventing COVID-19 based on initial data, making the company and its German partner BioNTech SE the first drugmakers to post initial success towards warding off the deadly virus.

The markets went into a frenzy with both the stock exchange and local currency posting big gains immediately after the announcement. The party, however, was halted by gold mining stocks as risk appetite of investors' increased and they offloaded and swapped safe haven gold.

The benchmark all share index was up 1.63% to close at 57,307 points while the top 40 companies index closed up 1.56% to 52,684 points. The rally was led by South African banks with the index up almost 9%. Gold stocks took a major hit with gold price correcting by 4.5% and pushing the gold index down by 15%.

"There are hopes for a pre-COVID world and market," said Franco Lorenzani, an independent senior analyst, explaining why investors shed gold holdings on Monday. He added that mid to long term prospects for gold is still bullish as there will not be any major change in interest rates till 2022/23 as indicated by the Federal Reserve.

The South African rand, already strengthened by Joe Biden's election victory, went past its 8-month peak on hopes of an early vaccine. At 1630 GMT, the rand traded at 15.4000 against the U.S. dollar, 1.25% firmer than its previous close on Friday. The unit was trading at its strongest since March 5, which was before the COVID-19 pandemic knocked the local economy deeper into recession.

Source: Thomson Reuters

Corona Tracker

| GLOBAL CASES | | | | | |
|------------------|-----------------|-----------|--------------|-----------------|--|
| SOURCE - REUTERS | | | | | |
| | Confirmed Cases | New Cases | Total Deaths | Total Recovered | |
| GLOBAL | 50,738,183 | 38,073 | 1,260,738 | 33,258,066 | |

Fighting corruption is not just good governance. It's self-defense. It's patriotism.

Joe Biden

Market Overview

| MARKET INDICATORS (Thomson Reuters) | | | | 10 November 2020 | |
|---------------------------------------|---|-------------------|-------------------|-------------------|---------------------|
| Money Market TB Rates % | | Last close | Difference | Prev close | Current Spot |
| 3 months | ➡ | 3.85 | 0.000 | 3.85 | 3.85 |
| 6 months | ➡ | 3.92 | 0.000 | 3.92 | 3.92 |
| 9 months | ➡ | 3.88 | 0.000 | 3.88 | 3.88 |
| 12 months | ➡ | 3.83 | 0.000 | 3.83 | 3.83 |
| Nominal Bond Yields % | | Last close | Difference | Prev close | Current Spot |
| GC21 (Coupon 7.75%, BMK R208) | ⬇ | 4.02 | -0.080 | 4.10 | 4.02 |
| GC22 (Coupon 8.75%, BMK R2023) | ⬇ | 4.53 | -0.350 | 4.88 | 4.64 |
| GC23 (Coupon 8.85%, BMK R2023) | ⬇ | 4.43 | -0.350 | 4.78 | 4.54 |
| GC24 (Coupon 10.50%, BMK R186) | ⬇ | 7.09 | -0.070 | 7.16 | 7.20 |
| GC25 (Coupon 8.50%, BMK R186) | ⬇ | 7.10 | -0.070 | 7.17 | 7.21 |
| GC26 (Coupon 8.50%, BMK R186) | ⬇ | 7.10 | -0.070 | 7.17 | 7.21 |
| GC27 (Coupon 8.00%, BMK R186) | ⬇ | 7.39 | -0.070 | 7.46 | 7.50 |
| GC30 (Coupon 8.00%, BMK R2030) | ⬇ | 9.03 | -0.220 | 9.25 | 9.16 |
| GC32 (Coupon 9.00%, BMK R213) | ⬇ | 10.22 | -0.220 | 10.44 | 10.35 |
| GC35 (Coupon 9.50%, BMK R209) | ⬇ | 11.13 | -0.315 | 11.45 | 11.27 |
| GC37 (Coupon 9.50%, BMK R2037) | ⬇ | 11.87 | -0.335 | 12.21 | 12.01 |
| GC40 (Coupon 9.80%, BMK R214) | ⬇ | 12.51 | -0.335 | 12.84 | 12.65 |
| GC43 (Coupon 10.00%, BMK R2044) | ⬇ | 13.03 | -0.325 | 13.35 | 13.12 |
| GC45 (Coupon 9.85%, BMK R2044) | ⬇ | 13.31 | -0.325 | 13.63 | 13.40 |
| GC50 (Coupon 10.25%, BMK: R2048) | ⬇ | 13.36 | -0.335 | 13.70 | 13.50 |
| Inflation-Linked Bond Yields % | | Last close | Difference | Prev close | Current Spot |
| GI22 (Coupon 3.55%, BMK NCPI) | ⬇ | 4.49 | 0.000 | 4.49 | 4.49 |
| GI25 (Coupon 3.80%, BMK NCPI) | ➡ | 4.25 | 0.000 | 4.25 | 4.25 |
| GI29 (Coupon 4.50%, BMK NCPI) | ⬇ | 4.38 | 0.000 | 4.38 | 4.38 |
| GI33 (Coupon 4.50%, BMK NCPI) | ⬆ | 6.76 | 0.000 | 6.76 | 6.76 |
| GI36 (Coupon 4.80%, BMK NCPI) | ⬆ | 7.02 | 0.000 | 7.02 | 7.02 |
| Commodities | | Last close | Change | Prev close | Current Spot |
| Gold | ⬇ | 1,862 | -4.59% | 1,952 | 1,881 |
| Platinum | ⬇ | 866 | -2.54% | 889 | 870 |
| Brent Crude | ⬆ | 42.4 | 7.48% | 39.5 | 41.9 |
| Main Indices | | Last close | Change | Prev close | Current Spot |
| NSX Overall Index | ⬆ | 1,136 | 6.93% | 1,062 | 1,136 |
| JSE All Share | ⬆ | 57,307 | 1.63% | 56,387 | 57,307 |
| SP500 | ⬆ | 3,551 | 1.17% | 3,509 | 3,551 |
| FTSE 100 | ⬆ | 6,186 | 4.67% | 5,910 | 6,186 |
| Hangseng | ⬆ | 26,016 | 1.18% | 25,713 | 26,192 |
| DAX | ⬆ | 13,096 | 4.94% | 12,480 | 13,096 |
| JSE Sectors | | Last close | Change | Prev close | Current Spot |
| Financials | ⬆ | 10,949 | 7.90% | 10,148 | 10,949 |
| Resources | ⬇ | 51,378 | -0.46% | 51,617 | 51,378 |
| Industrials | ⬆ | 81,679 | 1.37% | 80,572 | 81,679 |
| Forex | | Last close | Change | Prev close | Current Spot |
| N\$/US dollar | ⬇ | 15.37 | -1.37% | 15.58 | 15.42 |
| N\$/Pound | ⬇ | 20.23 | -1.32% | 20.50 | 20.32 |
| N\$/Euro | ⬇ | 18.15 | -1.87% | 18.50 | 18.24 |
| US dollar/ Euro | ⬇ | 1.181 | -0.50% | 1.187 | 1.183 |
| | | Namibia | | RSA | |
| Interest Rates & Inflation | | Latest | Previous | Latest | Previous |
| Central Bank Rate | ⬇ | 3.75 | 4.00 | 3.50 | 3.75 |
| Prime Rate | ⬇ | 7.50 | 7.75 | 7.00 | 7.25 |
| | | Sep 20 | Aug 20 | Sep 20 | Aug 20 |
| Inflation | ➡ | 2.4 | 2.4 | 3.0 | 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



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