



Market Update

Thursday, 11 February 2021



Global Markets

Asian shares rested at record highs on Thursday as investors digested recent meaty gains, while bulls were sustained by the promise of endless free money after a benign reading on U.S. inflation and a dovish Federal Reserve outlook.

Adding to the torpor was a lack of liquidity as markets in China, Japan, South Korea and Taiwan were all on holiday. MSCI's broadest index of Asia-Pacific shares outside Japan added 0.1%, having already climbed for four sessions to be up over 10% so far this year. Japan's Nikkei was shut after ending at a 30-year peak on Wednesday, while Australia's main index held near an 11-month top. With China off, there was little reaction to news the Biden administration will look at adding "new targeted restrictions" on certain sensitive technology exports to the Asian giant and would maintain tariffs for now. Futures for the S&P 500 and NASDAQ were both steady, having hit historic highs on Wednesday. EUROSTOXX 50 futures and FTSE futures barely budged.

Still, the outlook for more global stimulus got a major boost overnight from a surprisingly soft reading on core U.S. inflation, which eased to 1.4% in January. Federal Reserve Chair Jerome Powell said he wanted to see inflation reach 2% or more before even thinking of tapering the bank's super-

easy policies. Notably, Powell emphasised that once pandemic effects were stripped out, unemployment was nearer 10% than the reported 6.3% and thus a long way from full employment.

As a result, Powell called for a "society-wide commitment" to reducing unemployment, which analysts saw as strong support for President Joe Biden's \$1.9 trillion stimulus package. Indeed, Westpac economist Elliot Clarke estimated over \$5 trillion in cumulative stimulus, worth 23% of GDP, would be required to repair the damage done by the pandemic. "Historical experience provides strong justification to only act against undesired inflationary pressures once they have been seen, after full employment has been achieved," he said. "To that end, financial conditions are expected to remain highly supportive of the U.S. economy and global financial markets in 2021, and likely through 2022."

The mix of bottomless Fed funds and a tame inflation report was a salve for bond market pains, leaving 10-year yields at 1.12% from a 1.20% high early in the week. That in turn weighed on the U.S. dollar, which slipped to 90.395 on a basket of currencies and away from a 10-week top of 91.600 touched late last week. The dollar eased to 104.57 yen, from a recent peak of 105.76, while the euro rallied to \$1.2122 from its low of \$1.1950.

In commodity markets, gold was side-lined at \$1,838 an ounce as investors drove platinum to a six-year peak on bets of more demand from the automobile sector. Oil prices took a breather, having enjoyed the longest winning streak in two years amid producer supply cuts and hopes vaccine rollouts will drive a recovery in demand. "The current price levels are healthier than the actual market and entirely reliant on supply cuts, as demand still needs to recover," cautioned Bjornar Tonhaugen of Rystad Energy. Brent crude futures eased back 40 cents to \$61.07, while U.S. crude dipped 36 cents to \$58.32 a barrel.

Domestic Markets

South Africa's rand firmed on Wednesday, holding near a five-week high hit in the previous session as rising hopes of a \$1.9 trillion stimulus programme in the United States elevated risk demand.

At 1500 GMT, the rand was 0.41% firmer at 14.6800 per dollar, compared with a previous close of 14.7400 - its strongest level since Jan. 5.

"The rand and other emerging market currencies continued to make steady gains against the US dollar, which remained under pressure as growing optimism over the global recovery boosted riskier assets," said RMB's Mpho Molopyane in a note. "Continued improvement in risk sentiment over the coming days could see the USD/ZAR test the next key technical level of 14.50."

U.S. President Joe Biden's \$1.9 trillion coronavirus relief bill is expected to pass through Congress with little change despite opposition from Republicans over the aid's price tag. Analysts see the fiscal spending, coupled with continued ultra-easy Federal Reserve monetary policy, dragging down the dollar in the longer term, feeding demand for risk assets.

Bonds also firmed; the yield on the long-dated benchmark government bond due in 2030 was down 3.5 basis points to 8.555%.

The main indexes of the Johannesburg Stock Exchange (JSE) pushed ahead to a new record, continuing its winning streak for six consecutive sessions as the U.S. stimulus hopes reinforced local positive sentiment.

The benchmark FTSE/JSE all-share index closed up 1.52% at 66,151 points and the benchmark FTSE/JSE top-40 companies index ended up 1.63% at 60,638 points. The rally was mainly driven by mining stocks led by high gold and platinum prices.

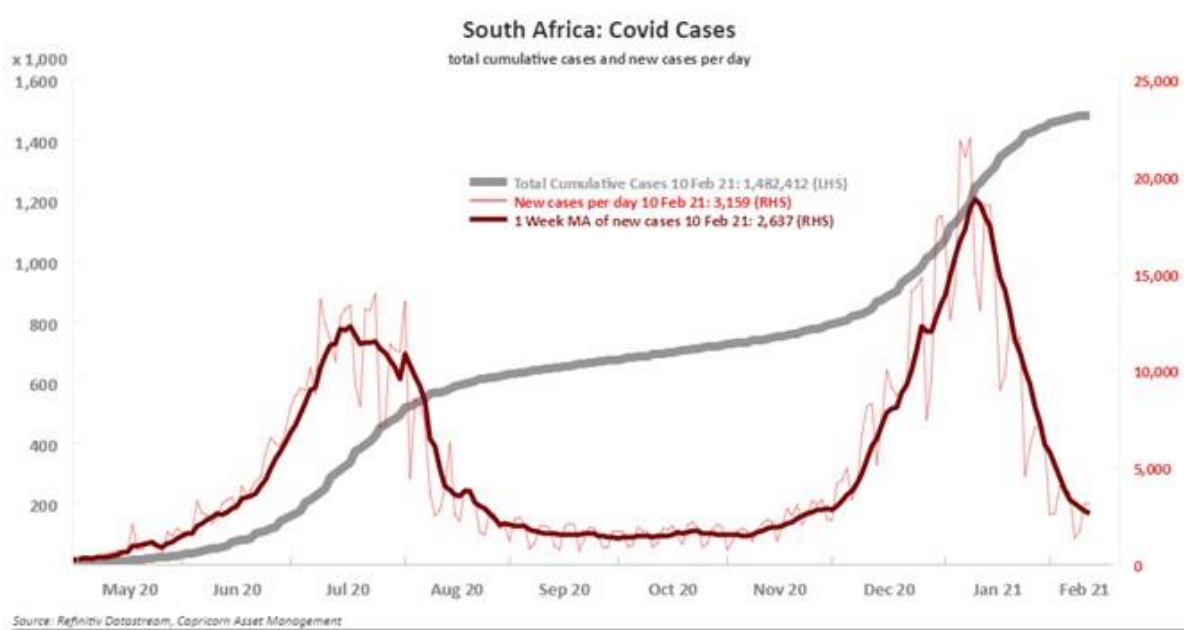
The market was also boosted by hopes that the country would start vaccinations soon as the government assured on Wednesday that its vaccination programme was on schedule and it was also in advanced talks to secure more vaccines.

Corona Tracker

GLOBAL CASES				
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	107,388,581	13,427	2,353,552	70,223,984

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

Source: Thomson Reuters



Do what you can, with what you have, where you are.

Theodore Roosevelt

Market Overview

MARKET INDICATORS (Thomson Reuters)		11 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	⇒	4.52	0.000	4.52	4.52
9 months	⇒	4.58	0.000	4.58	4.58
12 months	↑	4.64	0.025	4.61	4.64
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	⇒	4.37	0.000	4.37	4.37
GC22 (Coupon 8.75%, BMK R2023)	↓	5.35	-0.010	5.36	5.33
GC23 (Coupon 8.85%, BMK R2023)	↓	5.25	-0.010	5.26	5.23
GC24 (Coupon 10.50%, BMK R186)	↓	7.00	-0.040	7.04	6.99
GC25 (Coupon 8.50%, BMK R186)	↓	7.01	-0.040	7.05	7.00
GC26 (Coupon 8.50%, BMK R186)	↓	7.01	-0.040	7.05	7.00
GC27 (Coupon 8.00%, BMK R186)	↓	7.30	-0.040	7.34	7.29
GC30 (Coupon 8.00%, BMK R2030)	↓	8.86	-0.045	8.90	8.85
GC32 (Coupon 9.00%, BMK R213)	↓	9.99	-0.035	10.02	9.98
GC35 (Coupon 9.50%, BMK R209)	↓	11.05	-0.065	11.11	11.04
GC37 (Coupon 9.50%, BMK R2037)	↓	11.59	-0.125	11.71	11.58
GC40 (Coupon 9.80%, BMK R214)	↓	12.38	-0.065	12.44	12.37
GC43 (Coupon 10.00%, BMK R2044)	↓	12.73	-0.060	12.79	12.73
GC45 (Coupon 9.85%, BMK R2044)	↓	13.01	-0.060	13.07	13.01
GC50 (Coupon 10.25%, BMK: R2048)	↓	13.02	-0.020	13.04	13.02
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)	⇒	5.73	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	↑	1,842	0.28%	1,837	1,837
Platinum	↑	1,242	5.66%	1,175	1,244
Brent Crude	↑	61.5	0.62%	61.1	61.2
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,328	2.05%	1,301	1,328
JSE All Share	↑	66,151	1.52%	65,163	66,151
SP500	↓	3,910	-0.03%	3,911	3,910
FTSE 100	↓	6,524	-0.11%	6,532	6,524
Hangseng	↑	30,039	1.91%	29,476	30,174
DAX	↓	13,933	-0.56%	14,012	13,933
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	12,421	-0.24%	12,450	12,421
Resources	↑	64,414	3.62%	62,164	64,414
Industrials	↑	88,593	0.74%	87,943	88,593
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	14.75	0.18%	14.72	14.72
N\$/Pound	↑	20.39	0.29%	20.33	20.39
N\$/Euro	↑	17.87	0.17%	17.83	17.85
US dollar/ Euro	↓	1.212	-0.01%	1.212	1.213
		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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