



# The Daily Brief

Capricorn Asset Management

## Market Update

Thursday, 12 August 2021



## Global Markets

Asian shares failed to follow a strong close on Wall Street with fears about the spread of the Delta variant of the coronavirus weighing on sentiment even as tame U.S. inflation eased fears the Federal Reserve would rush to reduce its economic support. That data also caused dollar to retreat against most major currencies and U.S. Treasury yields to edge down overnight though both were steadier in Asian hours.

MSCI's broadest index of Asia-Pacific shares outside Japan dropped 0.25% in early trading, dragged by a 0.24% decline in Chinese bluechips. The Hong Kong benchmark fell 0.2% while Australian shares were largely flat and Japan's Nikkei rose 0.35%. U.S. stock futures were little changed, with S&P 500 e-minis down 0.02%.

The weaker performance by Asian benchmarks contrasts with the situation elsewhere in the world. On Wednesday the MSCI all-country index, a gauge of stocks across the globe, hit a record high. In comparison the Asian benchmark is down over 10% from its February peak.

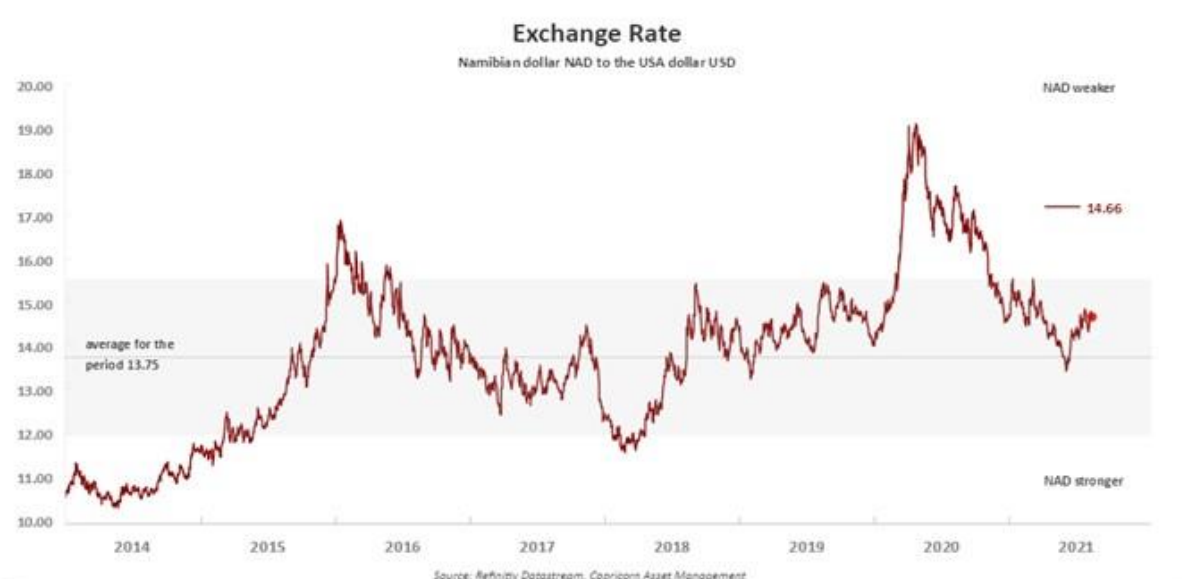
"The money is just in the U.S. and European markets right now, and that's our preferred market too," said Daniel Lam, senior cross-asset strategist, Standard Chartered Wealth Management. Lam pointed to a strong U.S. earning season and Europe's high vaccination rates meaning the pace of reopening has been less harmed by the spread of the Delta variant of the new coronavirus, and "recent China regulation blues" in sectors such as education and technology.

"I think that the rotation from emerging markets to Western markets could continue in the near-term," said David Chao, Global Market Strategist, Asia Pacific (ex-Japan) at Invesco. "The APAC region's zero-tolerance policy coupled with a relatively low vaccination rate has led to vicious lockdown-release cycle which could continue for a while."

The Dow Jones Industrial Average and S&P 500 closed at record levels on Wednesday, after the U.S. Labour Department reported the largest drop in month-to-month inflation in 15 months, easing concerns about the potential for runaway inflation. U.S. policymakers are publicly discussing how and when they should begin to trim the massive asset purchases launched by the Fed last year to stabilise financial markets and support the economy through the coronavirus pandemic.

The easing of fears about inflation reduces the pressure to taper those asset purchases soon rather than later in the year, after strong employment figures last week had given ammunition to those with a more hawkish tilt. As a result, U.S. Treasury yields fell on Wednesday across most maturities, though trading was choppy. Moves were more muted in Asian hours. Yields on benchmark 10-year Treasury notes was last 1.345% compared with its U.S. close of 1.359%. The dollar hovered below a four-month peak against major peers on Thursday, after retreating overnight as yields dropped. "I expect the dollar to be range-bound on the recent strong unemployment and tempered CPI data," said Invesco's Chao.

Oil largely held onto gains from earlier in the week, U.S. crude dipped 0.03% to \$69.23 a barrel. Brent crude was flat at \$71.43 per barrel. Gold also held on to overnight gains on Thursday, with the spot price down 0.1% having risen 1.3% in the previous session. Easing of fears about higher interest rates would typically help the non-interest bearing asset.



## Domestic Markets

The South African rand was down slightly against the dollar in early trade on Wednesday as the greenback extended gains on the prospect of a withdrawal of economic stimulus and worries about the spread of coronavirus dampened risk sentiment.

The rand has dropped back against the dollar amid growing anticipation the U.S. Federal Reserve could begin tapering bond buying, a sentiment bolstered by statements from Fed officials and strong U.S. jobs data.

That continued to buoy the greenback on Wednesday, growing its appeal as investors anticipate higher U.S. interest rates. They were watching U.S. inflation data due later in the day for further clues as to the Fed's next move, with the numbers likely to impact the rand's movements as well.

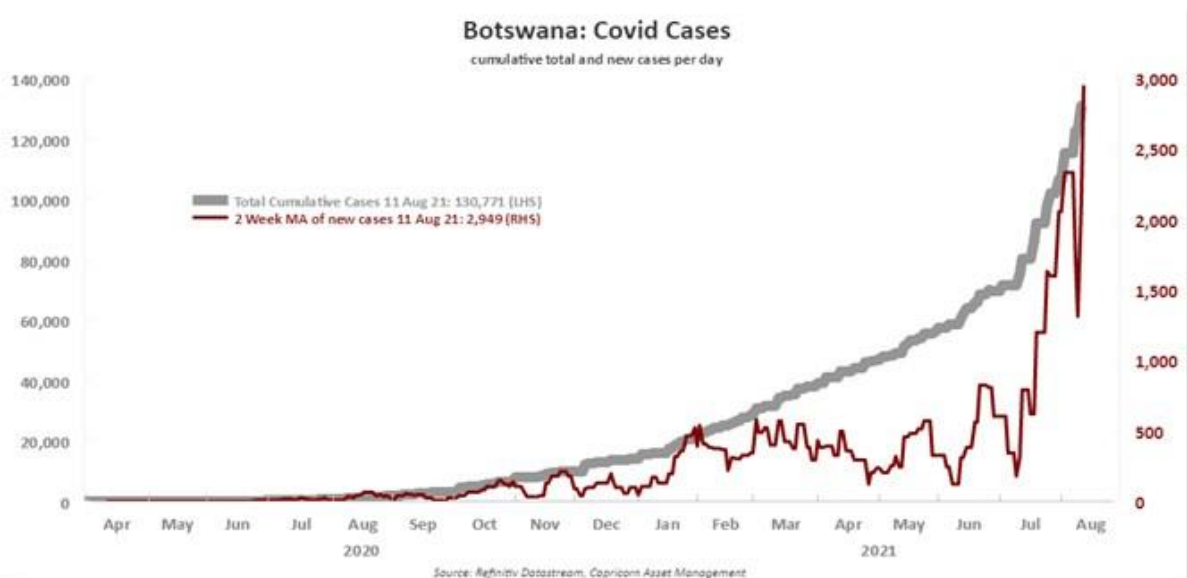
The rand has also been hit by growing global risk aversion as infections of COVID-19 have risen again in places like the United States and Asia, driven by the more infectious Delta variant. This was also hitting Asian stocks on Wednesday. The dollar was quoted at ZAR14.68, lower from ZAR14.80 at the Johannesburg equities close on Tuesday.

The JSE lagged global peers yesterday as market heavyweight Naspers (-3.8%) continued its wild gyrations and took 394 points off the Top40 (-52.5 points). Three-quarters of Top40 stocks closed higher. Angloplat (-7.8%) was the worst-performing Top40 stock after going ex-div. Golds led the market higher – Gold Fields rose 6.1% with Anglogold (+5.5%) close behind. The installation of a former IMF official, Malangu Kabedi-Mbuyi, as the new DRC central bank governor may see Anglogold's share of Kibali's profits paid out. Nedbank (-1.1%) slipped for a third day despite strong results but had rocketed up 9.3% after their trading update on Thursday. Quilter (-7.6%) plunged after results as management expressed concerns about the outlook for mortgage and protection advice revenue and further market strength. Overnight, the effectively stronger ZAR pushed the dual-listed names into negative territory on the crosses, while this morning Tencent and DM futures are steady.

Government bonds weakened, with the yield on the instrument due in 2030 up 4 basis points to 8.990%.

## Corona Tracker

GLOBAL CASES		11-Aug-2021	
SOURCE - REUTERS			
	Confirmed Cases	New Cases	Total Deaths
<b>GLOBAL</b>	204,621,342	420,145	4,497,318



Source: Thomson Reuters Refinitiv

The first lesson of economics is scarcity: there is never enough of anything to fully satisfy all those who want it. The first lesson of politics is to disregard the first lesson of economics.

**Thomas Sowell**



## Market Overview

MARKET INDICATORS (Thomson Reuters)		12 August 2021			
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	⇒	4.28	0.000	4.28	4.28
6 months	↓	4.49	-0.017	4.50	4.49
9 months	⇒	4.77	0.000	4.77	4.77
12 months	↑	4.92	0.009	4.91	4.92
<b>Nominal Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC21 (Coupon 7.75%, BMK R208)	↑	4.34	0.010	4.33	4.33
GC22 (Coupon 8.75%, BMK R2023)	↑	5.69	0.010	5.68	5.64
GC23 (Coupon 8.85%, BMK R2023)	↑	5.59	0.010	5.58	5.54
GC24 (Coupon 10.50%, BMK R186)	↓	7.73	-0.010	7.74	7.70
GC25 (Coupon 8.50%, BMK R186)	↓	7.74	-0.010	7.75	7.71
GC26 (Coupon 8.50%, BMK R186)	↓	7.74	-0.010	7.75	7.71
GC27 (Coupon 8.00%, BMK R186)	↓	8.03	-0.010	8.04	8.00
GC30 (Coupon 8.00%, BMK R2030)	↑	9.26	0.010	9.25	9.22
GC32 (Coupon 9.00%, BMK R213)	↑	10.27	0.010	10.26	10.24
GC35 (Coupon 9.50%, BMK R209)	↑	11.23	0.005	11.23	11.20
GC37 (Coupon 9.50%, BMK R2037)	↑	11.72	0.005	11.72	11.68
GC40 (Coupon 9.80%, BMK R214)	⇒	12.58	0.000	12.58	12.54
GC43 (Coupon 10.00%, BMK R2044)	↑	12.83	0.005	12.82	12.79
GC45 (Coupon 9.85%, BMK R2044)	↑	13.11	0.005	13.10	13.07
GC48 (Coupon 10.00%, BMK R2048)	↑	13.19	0.005	13.19	13.15
GC50 (Coupon 10.25%, BMK: R2048)	↑	13.13	0.005	13.13	13.09
<b>Inflation-Linked Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GI22 (Coupon 3.55%, BMK NCPI)	⇒	3.95	0.000	3.95	3.95
GI25 (Coupon 3.80%, BMK NCPI)	⇒	4.00	0.000	4.00	4.00
GI27 (Coupon 4.00%, BMK NCPI)	⇒	4.99	0.000	4.99	4.99
GI29 (Coupon 4.50%, BMK NCPI)	⇒	6.19	0.000	6.19	6.19
GI33 (Coupon 4.50%, BMK NCPI)	⇒	7.01	0.000	7.01	7.01
GI36 (Coupon 4.80%, BMK NCPI)	⇒	7.61	0.000	7.61	7.61
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↑	1,752	1.32%	1,729	1,751
Platinum	↑	1,018	2.24%	995	1,015
Brent Crude	↑	71.4	1.15%	70.6	71.4
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	↑	1,531	1.01%	1,516	1,531
JSE All Share	↑	69,617	0.02%	69,602	69,617
SP500	↑	4,448	0.25%	4,437	4,448
FTSE 100	↑	7,220	0.83%	7,161	7,220
Hangseng	↑	26,660	0.20%	26,606	26,509
DAX	↑	15,826	0.35%	15,771	15,826
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↓	13,537	-0.01%	13,538	13,537
Resources	↑	70,291	1.36%	69,350	70,291
Industrials	↓	88,724	-1.24%	89,841	88,724
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↓	14.65	-0.97%	14.80	14.64
N\$/Pound	↓	20.32	-0.77%	20.48	20.31
N\$/Euro	↓	17.20	-0.81%	17.34	17.19
US dollar/ Euro	↑	1.174	0.16%	1.172	1.174
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>Jun 21</b>	<b>May 21</b>	<b>Jun 21</b>	<b>May 21</b>
Central Bank Rate	⇒	3.75	3.75	3.50	3.50
Prime Rate	⇒	7.50	7.50	7.00	7.00
		<b>Jun 21</b>	<b>May 21</b>	<b>Jun 21</b>	<b>May 21</b>
Inflation	↑	4.1	3.8	4.9	5.2

**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 the Overall Index, including dual listeds*

Source: Thomson Reuters Refinitiv

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.



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