



The Daily Brief

Capricorn Asset Management

Market Update

Monday, 15 February 2021



Global Markets

Asian shares advanced to record highs on Monday as successful coronavirus vaccine rollouts globally raise hopes of a rapid economic recovery amid new fiscal aid from Washington, while oil prices rose on heightened tensions in the Middle East.

MSCI's broadest index of Asia-Pacific shares outside Japan jumped 0.4% to 736.4. Japan's Nikkei climbed 1.1%, despite data showing the country's recovery from its worst post-war recession slowed in the fourth quarter. Australia's benchmark index added 0.9% while E-mini futures for the S&P 500 were up 0.3% in early Asian trading.

China and Hong Kong markets are shut for the Lunar New Year holiday. U.S. stock markets will be closed on Monday for the Presidents Day holiday. The highlight of the week will probably be minutes of the U.S. Federal Reserve's January meeting, where policymakers decided to leave rates unchanged. Data on inflation is due from the UK, Canada and Japan while Friday will see major economies including the United States release the preliminary February purchasing managers' indices.

While economists expect inflation to stay benign for some while yet, the so-called "reflation trade" has gathered steam in recent days largely led by coronavirus vaccines and hopes of massive fiscal spending under U.S. President Joe Biden. Biden pushed for the first major legislative achievement of his term, turning to a bipartisan group of local officials for help on his \$1.9 trillion coronavirus relief plan.

"In our view, as long as the rise (in inflation) is gradual, equity markets can continue to do well. However, unruly moves would certainly hurt investor sentiment," said Esty Dwek, head of global market strategy, Natixis Investment Managers Solutions. "Credit spreads have tightened sharply already, but they still have room to absorb some higher yields, making us more comfortable with credit risk than interest rate risk," Dwek added. "Commodities would be beneficiaries of an inflationary cycle, but they can still continue to recover without high core inflation as economies reopen and demand picks up."

Oil prices climbed to the highest since January 2020 on hopes U.S. stimulus will boost the economy and fuel demand. Prices were also buoyant after a Saudi-led coalition fighting in Yemen said it intercepted an explosive-laden drone fired by the Iran-aligned Houthi group, raising fears of fresh Middle East tensions. Brent crude rose \$1 to \$63.43 a barrel. U.S. crude oil gained \$1.2 to \$60.7.

On Friday, the S&P 500 and Nasdaq set record closing highs. The Dow finished 0.1% higher at 31,458.4 points, the S&P 500 gained 0.5% to 3,934.83 and the Nasdaq added 0.5% to 14,095.47.

Action in currencies was muted. The dollar was slightly higher against the Japanese yen at 105.01 while the euro rose to \$1.2125 and the British pound was up 0.3% at \$1.3886. The risk sensitive Australian and New Zealand dollars climbed 0.1% each. That left the dollar index steady at 90.426.

Bitcoin was barely changed in early Asian trading at \$47,994, below a record high of \$49,714.66. It posted gains of roughly 20% in a milestone week marked by the endorsement of major firms such as Elon Musk's Tesla.

Domestic Markets

South Africa's rand trod water on Friday, following recent gains, while President Cyril Ramaphosa's state of the nation address (SONA) on Thursday failed to detail any new reforms.

At 1600 GMT, the rand was 0.44% stronger at 14.5550 per dollar, little moved from its overnight close of 14.6200. The rand strengthened nearly 2% in the past four sessions, mostly taking its cues from offshore events such as the dollar's recent slide.

There has been a divergence of views among traders this year over just how U.S. President Joe Biden's planned \$1.9 trillion fiscal stimulus package will affect the dollar. So far, expectations of continued monetary policy accommodation have left the greenback reeling and riskier currencies in favour.

"While the broader bias remains in favour of risk assets, there appears to be a stalemate in the market as it assesses whether or not to book some profits after the recent risk rally," said economists at ETM Analytics.

In his address on Thursday evening, President Ramaphosa said the country, hit hard by a second wave of COVID-19, would undertake a massive vaccination program. Ramaphosa said South Africa had secured nine million doses of the J&J vaccine, while another 20 million doses of the vaccine from Pfizer and BioNTech were also on their way.

"South Africa aims to vaccinate two-thirds of its population by the end of the year, but progress has been slow so far," said Commerzbank's Elisabeth Andreae in a note. "In our view, the fragile economy and the high level of government debt, which continues to rise, limit the further ZAR appreciation potential."

Bonds weakened with the yield on the benchmark 2030 issue rising 4.5 basis points to 6.705%.

The stock market firmed up once again on Friday, after its six-day winning streak was halted on Thursday, as banks and financials recovered on President Ramaphosa's promise on large scale infrastructure and energy spending in 2021. The benchmark FTSE/JSE all-share index climbed 0.38% to end the day's trading at 66,132 points, just shy of its all-time record seen on Wednesday. The bluechip FTSE/JSE top-40 companies' index ended up 0.42% to 60,674 points.

Corona Tracker

GLOBAL CASES				
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	108,907,191	11,993	2,505,486	71,463,312

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

Source: Thomson Reuters



Love cures people - both the ones who give it and the ones who receive it.

Karl A. Menninger

Market Overview

MARKET INDICATORS (Thomson Reuters)		15 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	↑	4.66	0.025	4.64	4.66
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)	↑	5.34	0.030	5.31	5.31
GC23 (Coupon 8.85%, BMK R2023)	↑	5.24	0.030	5.21	5.21
GC24 (Coupon 10.50%, BMK R186)	↑	7.01	0.045	6.96	6.98
GC25 (Coupon 8.50%, BMK R186)	↑	7.02	0.045	6.97	6.99
GC26 (Coupon 8.50%, BMK R186)	↑	7.02	0.045	6.97	6.99
GC27 (Coupon 8.00%, BMK R186)	↑	7.31	0.045	7.26	7.28
GC30 (Coupon 8.00%, BMK R2030)	↑	8.81	0.040	8.77	8.79
GC32 (Coupon 9.00%, BMK R213)	↑	9.92	0.025	9.89	9.91
GC35 (Coupon 9.50%, BMK R209)	↑	10.98	0.040	10.94	10.95
GC37 (Coupon 9.50%, BMK R2037)	↑	11.53	0.050	11.48	11.50
GC40 (Coupon 9.80%, BMK R214)	↑	12.30	0.020	12.28	12.27
GC43 (Coupon 10.00%, BMK R2044)	↑	12.67	0.040	12.63	12.62
GC45 (Coupon 9.85%, BMK R2044)	↑	12.95	0.040	12.91	12.90
GC50 (Coupon 10.25%, BMK: R2048)	↑	12.96	0.040	12.92	12.93
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	↓	1,823	-0.10%	1,825	1,824
Platinum	↑	1,253	1.45%	1,235	1,284
Brent Crude	↑	62.4	2.11%	61.1	63.6
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,320	0.82%	1,309	1,320
JSE All Share	↑	66,132	0.38%	65,883	66,132
SP500	↑	3,935	0.47%	3,916	3,935
FTSE 100	↑	6,590	0.94%	6,529	6,590
Hangseng	↔	30,174	0.00%	30,174	30,174
DAX	↑	14,050	0.06%	14,041	14,050
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	12,747	2.31%	12,459	12,747
Resources	↓	62,979	-0.54%	63,320	62,979
Industrials	↑	89,201	0.42%	88,825	89,201
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	14.54	-0.56%	14.63	14.46
N\$/Pound	↓	20.13	-0.37%	20.20	20.10
N\$/Euro	↓	17.62	-0.64%	17.74	17.56
US dollar/ Euro	↓	1.212	-0.08%	1.213	1.214
		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	Dec 20	Nov 20
Inflation	↑	2.7	2.4	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



For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na

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