



Market Update

Monday, 16 November 2020



Global Markets

Asian stocks hit a record high on Monday as vaccine optimism and strong economic data from China and Japan outshone worries about rising coronavirus cases, lifting just about every sector.

MSCI's broadest index of Asia-Pacific shares outside Japan gained 1% to hit its highest since its launch in 1987 with markets across the region making milestone peaks. Japan's Nikkei traded at 29-year highs, South Korea's Kospi at its highest since early 2018 and Australia's ASX 200 hit an eight-month peak in the morning, before a glitch halted trade. S&P 500 futures rose 0.6% following the index's record close on Friday, Nasdaq 100 futures leapt 1% and European futures were up strongly with EuroSTOXX 50 futures up 0.8% and FTSE futures up half a percent.

"There's just mountains of cash sitting on the sidelines, waiting to be put to work and since we've got this vaccine news, as well as diminished risk around the U.S. elections, all of this is flying into equities," said Kyle Rodda, analyst at IG Markets. "Everyone's thinking now that it's the cue to get in."

Currencies and commodity markets were a little more circumspect, but the dollar was down a tad against trade-exposed currencies and oil prices firmed after falling on Friday. Japanese economic growth, which beat records and forecasts to pull the world's third-largest economy out of recession and better-than-expected industrial output in China added to the enthusiastic mood, as did a weekend trade deal. While light on detail, 15 Asia-Pacific economies, including China and Japan, but excluding the United States, agreed to reduce future tariffs at a time of rising protectionism elsewhere.

The flow driven gains came despite plenty of reasons to worry. U.S. President Donald is digging in for a drawn-out transition to President-elect Joe Biden. Axios reported that Trump plans a flurry of aggressive policy moves against China in the coming 10 weeks. Coronavirus cases are surging in Europe and the United States and new outbreaks have emerged in South Korea, Japan and Australia. Brexit talks are at delicate crossroads, again.

A wave of state-owned enterprise defaults in China has also spooked mainland bond investors. A few of these fears kept currency market moves in check and left oil, a proxy for global growth, well below last week's peaks as traders brace for a grim winter ahead. "The risk of even tighter restrictions loom in order to contain the spread of the virus," said Commonwealth Bank of Australia commodity analyst Vivek Dhar. "Oil demand is particularly exposed to restrictions that limit mobility since transport accounts for two thirds of global oil consumption."

On the Brexit front, the departure of hardline adviser Dominic Cummings from Downing Street is seen as a positive, perhaps allowing more British concessions, but chief negotiator David Frost said on Twitter that talks "may not succeed". Sterling crept higher against the dollar and euro. The common currency rose 0.1% against the dollar to \$1.1848. The kiwi rose 0.5% to \$0.6883 while the Australian dollar lagged a tad ahead of a week of central bank speeches and significant data, beginning with Reserve Bank of Australia Governor Philip Lowe at 0840 GMT. A slew of U.S. Federal Reserve speakers are also up this week, beginning with Vice Chair Richard Clarida at 1900 GMT.

Bonds, which had sold off strongly on vaccine news last week, were steady with where they left off on Friday, with the yield on benchmark U.S. 10-year debt at 0.8930%, down from last week's high above 0.97%. Oil prices inched higher, with Brent crude futures up 0.7% at \$43.08 a barrel but below last week's two-month high of \$45.30. U.S. crude rose 1% to \$40.55 a barrel. Gold rose 0.4% to \$1,896 an ounce.

Domestic Markets

The South African rand firmed on Friday against a weaker dollar as concerns over the pandemic's economic toll returned amid rising global coronavirus infections and uncertainty over the delivery of a potential vaccine. The rand traded at 15.5800 against the U.S. dollar at 1449 GMT, 0.38% firmer than its close on Thursday.

"The rand is being buoyed by global sentiment, a combination of market uncertainty over vaccine roll-out and an expectation out of the Biden administration in the U.S.," said BNP Paribas economist Jeffrey Schultz. Rising U.S. and European COVID-19 hospitalisations have tempered global market euphoria over a promising vaccine while investors are taking on board further election gains that appear to cement Joe Biden's victory in the U.S. presidential election.

The rand is seen as a proxy for emerging market risk and is highly susceptible to swings in global market sentiment. In fixed income, bonds weakened, with the yield on benchmark paper due in 2030 up 3 basis points to 6.985%.

The stock market closed up only marginally, as markets around the world flatlined amid rising COVID-19 infections in the U.S. and Europe dampened the euphoria around Pfizer's promising vaccine. The benchmark All-Share Index ended the week up 0.27% at 57,183 points and the blue-chip Top-40 Index closed 0.35% higher at 52,517 points.

Ryan Woods, a trader at Independent Securities, also said investors were avoiding taking on more risk at the close of the week. "The market is taking breather at the moment - typically what we see on a Friday afternoon, as people are taking a step back from risk before the weekend starts and are waiting for what Monday has in store to invest," he said.

Gold shares were the main winners of the day, with the gold index rising 0.78% to 4,307 points as the gold price jumped 1%. Stocks that tend to suffer from a weak economy, meanwhile, were worst-hit. The banking index closed 2.78% lower at 6,527 points.

South African Reserve Bank is likely to leave the repo rate at a record low at its Nov. 19 meeting and over the coming year, too, as inflation is expected to quicken in coming months, a Reuters poll found on Friday.

In a poll conducted in the past week, 17 of 22 economists expect Reserve Bank Governor Lesetja Kganyago to hold rates steady at 3.5%, after cutting them a cumulative 300 basis points earlier this year as the coronavirus pandemic swept the world. The remaining five analysts forecast a 25-basis-point cut.

Investec economist Annabel Bishop expects no change in the repo rate next week. However, she said that next year rising consumer price inflation will put expectations of no change in interest rates in the first half of 2020 at risk. "Base effects will lift the year-on-year inflation next year from the start of the second quarter in 2021, to above 4.0%," she said, ushering a negative interest rate differential in the second quarter of 2020 without an adjustment.

The Reuters poll median forecasts suggest consumer inflation will average 3.9% next year, up from an estimated 3.3% this year. The Reserve Bank tries to keep inflation between 3% and 6%.

Coronavirus infections have been increasing in much of the developed world in the past few weeks, but much more slowly in most of sub-Saharan Africa. South Africa, Africa's second-largest economy, accounts for most cases on the continent, with more than 740,000 COVID-19 cases and over 20,000 deaths. Infections have been rising since it eased lockdown restrictions in September. Still, South Africa will open up travel to all countries in an effort to boost tourism and hospitality, President Cyril Ramaphosa said on Wednesday.

"The SARB would probably prefer to keep some ammunition for later in the event of a second wave of COVID damaging the economy," said Francesca Beausang, economist at Continuum Economics. South Africa's economy is expected to grow 3% next year after contracting 8.2% this year, an improvement from last month's expectations, which suggested growth of 3.5% from an 8.5% contraction. Quarterly growth at a seasonally adjusted annualised rate is expected to taper to 9.9% in the current quarter from a 34.6% rebound estimated for the previous quarter.

GDP growth contracted by 51.0% in the second quarter of 2020 after the government paused activity in a lockdown that lasted roughly five months. That was the fourth contraction for an economy that was already struggling before the pandemic hit.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		15-Nov-2020		23:32
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	54,218,580	250,520	1,315,628	35,103,255

Everything can be taken from a man but one thing: the last of human freedoms - to choose one's attitude in any given set of circumstances, to choose one's own way.

Viktor E. Frankl

Market Overview

MARKET INDICATORS (Thomson Reuters)		16 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	↑	3.96	0.025	3.93	3.96
9 months	↑	3.97	0.017	3.95	3.97
12 months	↑	3.95	0.041	3.91	3.95
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	→	4.02	0.000	4.02	4.02
GC22 (Coupon 8.75%, BMK R2023)	↑	4.82	0.100	4.72	4.83
GC23 (Coupon 8.85%, BMK R2023)	↑	4.72	0.100	4.62	4.73
GC24 (Coupon 10.50%, BMK R186)	↑	7.30	0.045	7.26	7.29
GC25 (Coupon 8.50%, BMK R186)	↑	7.31	0.045	7.27	7.30
GC26 (Coupon 8.50%, BMK R186)	↑	7.31	0.045	7.27	7.30
GC27 (Coupon 8.00%, BMK R186)	↑	7.60	0.045	7.56	7.59
GC30 (Coupon 8.00%, BMK R2030)	↑	9.21	0.065	9.14	9.17
GC32 (Coupon 9.00%, BMK R213)	↑	10.37	0.060	10.31	10.36
GC35 (Coupon 9.50%, BMK R209)	↑	11.34	0.075	11.27	11.33
GC37 (Coupon 9.50%, BMK R2037)	↑	12.08	0.095	11.99	12.07
GC40 (Coupon 9.80%, BMK R214)	↑	12.72	0.100	12.62	12.69
GC43 (Coupon 10.00%, BMK R2044)	↑	13.26	0.095	13.17	13.25
GC45 (Coupon 9.85%, BMK R2044)	↑	13.54	0.095	13.45	13.53
GC50 (Coupon 10.25%, BMK: R2048)	↑	13.59	0.105	13.49	13.58
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	↑	1,888	0.65%	1,876	1,890
Platinum	↑	889	1.04%	880	896
Brent Crude	↓	42.8	-1.72%	43.5	43.3
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,170	-0.86%	1,180	1,170
JSE All Share	↑	57,183	0.27%	57,031	57,183
SP500	↑	3,585	1.36%	3,537	3,585
FTSE 100	↓	6,316	-0.36%	6,339	6,316
Hangseng	↓	26,157	-0.05%	26,169	26,309
DAX	↑	13,077	0.18%	13,053	13,077
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	11,497	-1.73%	11,700	11,497
Resources	↑	51,500	0.95%	51,015	51,500
Industrials	↑	79,933	0.47%	79,559	79,933
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	15.50	-0.91%	15.64	15.47
N\$/Pound	↓	20.44	-0.37%	20.51	20.43
N\$/Euro	↓	18.34	-0.68%	18.46	18.32
US dollar/ Euro	↑	1.183	0.24%	1.180	1.185
		Namibia		RSA	
Interest Rates & Inflation		Oct 20	Sep 20	Oct 20	Sep 20
Central Bank Rate	→	3.75	3.75	3.50	3.50
Prime Rate	→	7.50	7.50	7.00	7.00
		Oct 20	Sep 20	Sep 20	Aug 20
Inflation	↓	2.3	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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