

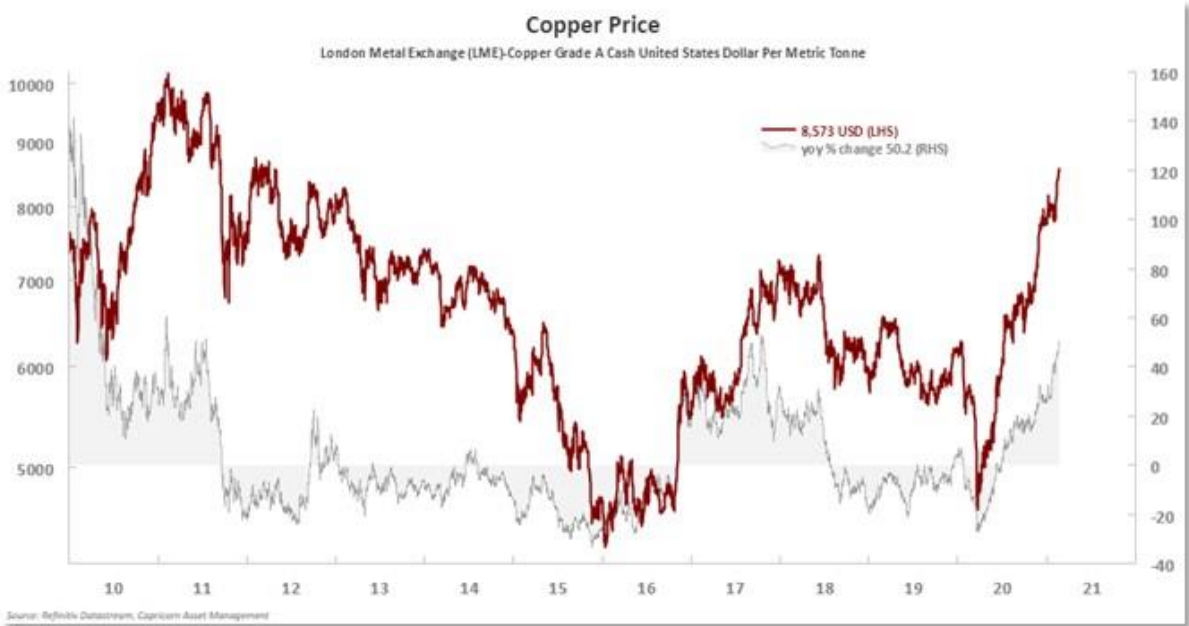


# The Daily Brief

Capricorn Asset Management

Market Update

Friday, 19 February 2021



## Global Markets

Asian stocks pulled back from all-time peaks on Friday as higher longer-dated bond yields and underwhelming U.S. data dented investor confidence in a faster economic recovery from the COVID-19 pandemic, while gold hit a seven-month trough.

MSCI's broadest index of Asia Pacific shares outside of Japan was last down 0.1% at 733.67 from a record high of 745.89 touched on Thursday. The index is on track for a small weekly loss after two consecutive weeks of gains. Since the start of the year, the index has surged nearly 10.5% largely led by easy monetary and fiscal policies around the world. On Friday, Australia's benchmark S&P/ASX 200 index was down 0.8% while Japan's Nikkei dipped 0.4%. Chinese shares started in the red with the blue-chip CSI300 off 0.6%.

"The recent move up in longer dated core yields appears to be weighing on equity investors' mind," said Rodrigo Catril, forex strategist at National Australia Bank. Core bond yields have pushed higher globally led by the so-called "reflation trade" where investors wager on a pick-up in growth and inflation. Successful coronavirus vaccine roll-outs so far and hopes of massive fiscal spending under U.S. President Joe Biden have spurred reflation trades.

Germany's 10-year yield on Thursday posted its highest close since June, British 10-year yields traded at a 10-month top of 0.65% and U.S. Treasury yields are hovering near one-year highs around 1.3%, a large factor supporting the U.S. dollar. Rising bond yields hurt the appeal of gold, with spot prices hitting a seven-month low of \$1,766 an ounce on Friday.

While rising yields weighed on investor sentiment, "disappointing U.S. jobless figures didn't help the cause either," Catril added. An unexpected increase in the number of Americans seeking jobless benefits hung heavy on outlook. The Labour Department reported initial unemployment claims rose by 13,000 to 861,000, injecting scepticism about how quickly the U.S. economy could rebound from the global pandemic. Further, U.S. housing starts fell 6.0% in January, the first decline in five months.

On Wall Street, the Dow fell 0.38%, the S&P 500 lost 0.44%, and the Nasdaq Composite 0.72%.

In currencies, the dollar was steady with its index at 90.568. The British pound hit its highest in over three years at \$1.3965 led by the country's successful vaccine roll-out where 16.5 million people have already been inoculated. It is on track for a sixth straight weekly rise. The euro is poised for a small weekly loss. The single currency was last at \$1.2085. The risk sensitive Australian dollar was on track for a third straight weekly rise, last trading at \$0.7762.

In commodities, oil markets saw some profit-taking following days of gains that were driven by a deep freeze across Texas that weighed on production. Brent crude fell \$1.17 to settle at \$62.76 a barrel. U.S. West Texas Intermediate (WTI) crude futures slipped \$1.37 to \$59.15 a barrel. Copper surged nearly 3% to its highest since April 2012 on Thursday led by demand from Chinese investors who returned from a week-long holiday.

## Domestic Markets

South Africa's rand firmed on Thursday as the U.S. dollar and Treasury yields eased, with the local unit recovering from losses in two previous sessions.

At 1440 GMT, the rand was 0.44% firmer at 14.5850 per dollar. It hit a one-year best of 14.4050 this week in a broad rally of emerging market currencies partly driven by an upswing in commodity prices, but later fell as investors booked profits from the currency.

The rand gained on the day despite the news that a laboratory study suggested the dominant coronavirus variant first identified in South Africa may reduce antibody protection from Pfizer's COVID-19 vaccine by two-thirds. South Africa had been counting on the Pfizer shot, developed with German partner BioNTech, to step up its vaccination programme after administering the first Johnson & Johnson JNJ.N (J&J) doses on Wednesday.

Market focus has shifted to Finance Minister Tito Mboweni's budget speech next Wednesday. Speculation that the budget could outline plans for fiscal consolidation has helped the rand, but any initiatives are likely to be limited and ultimately could disappoint investors.

"The near-term outlook for the rand will be dominated by the budget speech, but over the longer term we continue to expect a policy-led correction in the dollar which will support the rand," analysts at NKC African Economics said in a note.

Stocks closed weaker, weighed down by mining and financial shares, with the Johannesburg all-share index closing 0.8% weaker at 66,575 points, while the Top-40 index fell 0.86% to 61,206 points.

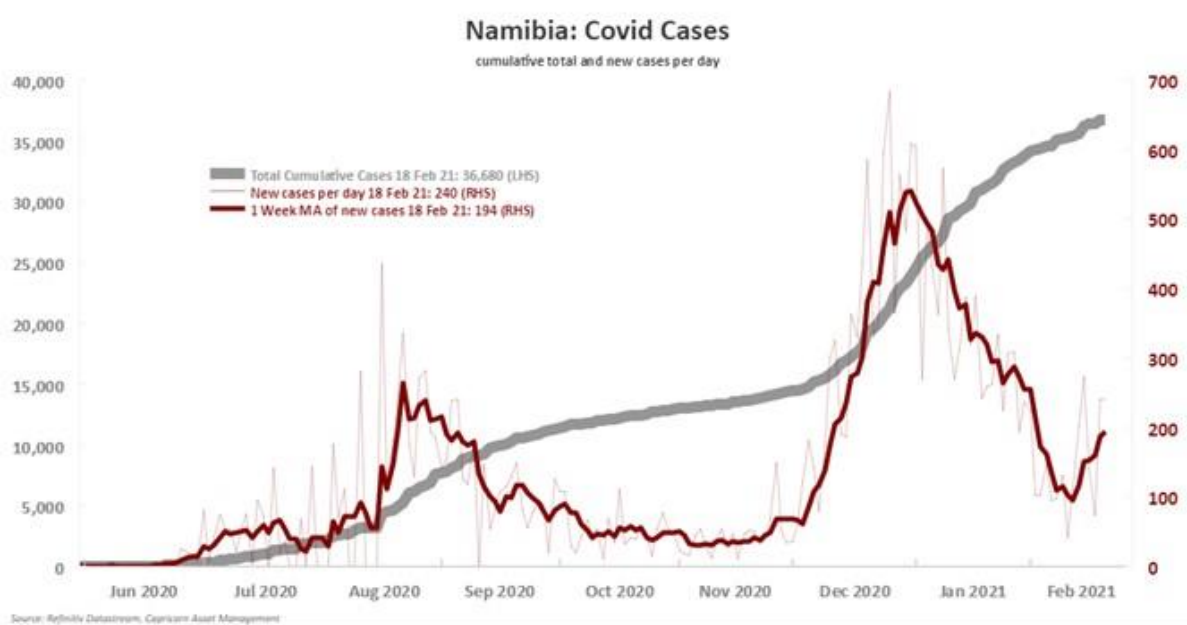
In fixed income, the yield on the benchmark 2030 government issue was up a single basis point at 8.750%.

## Corona Tracker

GLOBAL CASES		19-Feb-2021		5:48
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
<b>GLOBAL</b>	110,164,115	209,150	2,539,780	72,657,329

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

Source: Thomson Reuters



The man who reads nothing at all is better educated than the man who reads nothing but newspapers.

**Thomas Jefferson**

## Market Overview

MARKET INDICATORS (Thomson Reuters)		19 February 2021			
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	↔	4.16	0.000	4.16	4.16
6 months	↔	4.54	0.000	4.54	4.54
9 months	↓	4.63	-0.009	4.64	4.63
12 months	↔	4.73	0.000	4.73	4.73
<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)	↔	4.38	0.000	4.38	4.38
GC22 (Coupon 8.75%, BMK R2023)	↑	5.49	0.020	5.47	5.49
GC23 (Coupon 8.85%, BMK R2023)	↑	5.39	0.020	5.37	5.39
GC24 (Coupon 10.50%, BMK R186)	↑	7.32	0.015	7.30	7.32
GC25 (Coupon 8.50%, BMK R186)	↑	7.33	0.015	7.31	7.33
GC26 (Coupon 8.50%, BMK R186)	↑	7.33	0.015	7.31	7.33
GC27 (Coupon 8.00%, BMK R186)	↑	7.62	0.015	7.60	7.62
GC30 (Coupon 8.00%, BMK R2030)	↑	9.06	0.040	9.02	9.07
GC32 (Coupon 9.00%, BMK R213)	↑	10.17	0.055	10.11	10.16
GC35 (Coupon 9.50%, BMK R209)	↑	11.18	0.060	11.12	11.18
GC37 (Coupon 9.50%, BMK R2037)	↑	11.74	0.075	11.67	11.74
GC40 (Coupon 9.80%, BMK R214)	↑	12.54	0.060	12.48	12.55
GC43 (Coupon 10.00%, BMK R2044)	↑	12.88	0.060	12.82	12.88
GC45 (Coupon 9.85%, BMK R2044)	↑	13.16	0.060	13.10	13.16
GC50 (Coupon 10.25%, BMK: R2048)	↑	13.16	0.050	13.11	13.18
<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)	↔	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)	↑	5.80	0.074	5.73	5.69
GI33 (Coupon 4.50%, BMK NCPI)	↔	6.82	0.000	6.82	6.80
GI36 (Coupon 4.80%, BMK NCPI)	↔	7.27	0.000	7.27	7.35
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↓	1,775	-0.04%	1,776	1,770
Platinum	↑	1,274	1.71%	1,253	1,259
Brent Crude	↓	63.9	-0.64%	64.3	63.2
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	↓	1,335	-0.96%	1,348	1,335
JSE All Share	↓	66,575	-0.80%	67,110	66,575
SP500	↓	3,914	-0.44%	3,931	3,914
FTSE 100	↓	6,617	-1.40%	6,711	6,617
Hangseng	↓	30,595	-1.58%	31,085	30,422
DAX	↓	13,887	-0.16%	13,909	13,887
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↓	12,356	-0.75%	12,449	12,356
Resources	↓	65,636	-0.80%	66,163	65,636
Industrials	↓	88,885	-0.93%	89,719	88,885
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↓	14.59	-0.30%	14.63	14.59
N\$/Pound	↑	20.38	0.58%	20.27	20.39
N\$/Euro	↑	17.64	0.12%	17.61	17.65
US dollar/ Euro	↑	1.209	0.43%	1.204	1.210
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>Dec 20</b>	<b>Nov 20</b>	<b>Dec 20</b>	<b>Nov 20</b>
Central Bank Rate	↔	3.75	3.75	3.50	3.50
Prime Rate	↔	7.50	7.50	7.00	7.00
		<b>Jan 21</b>	<b>Dec 20</b>	<b>Jan 21</b>	<b>Dec 20</b>
Inflation	↑	2.7	2.4	3.2	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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**For enquiries concerning the Daily Brief please contact us at**

**[Daily.Brief@capricorn.com.na](mailto:Daily.Brief@capricorn.com.na)**

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