

The Daily Brief



Capricorn Asset Management

Market Update

Monday, 19 October 2020



Global Markets

Asian markets advanced toward a recent 2-1/2-year peak on Monday powered by hopes of a U.S. fiscal package and expectations of a coronavirus vaccine by the end of this year, though weaker-than-expected Chinese data capped gains.

MSCI's broadest index of Asia-Pacific shares outside Japan climbed 0.6% for its second straight day of gains, paring back slightly following third-quarter gross domestic product data from China. The index has risen in eight of the last 10 sessions amid a rally in risk assets buoyed by hopes of a coronavirus vaccine and expectations of a so-called "blue wave", which would see the Democrats claim victory in November's elections.

Chinese shares started higher though the blue-chip index pared gains after China's GDP data missed forecasts, though separate monthly indicators pointed to an expansion in economic activity. China's gross domestic product (GDP) grew 4.9% in July-September from a year earlier, slower than the median forecast of 5.2%. Monthly indicators beat forecasts - industrial output accelerated 6.9% in September from a year earlier, when analysts were looking for a 5.8% gain from a 5.6% rise in

August. Retail sales edged up 3.3% last month from a year earlier against expectations for 1.8% growth.

"The rebound in Q3 GDP was less strong than expected, but was still a decent 4.9% YoY. September data beat expectations, suggesting a pickup in momentum towards the latter part of Q3," said Frances Cheung, head of macro strategy for Asia at Westpac in Singapore. "The pickup in momentum was broad-based, which bodes well for the Q4 outlook."

Japan's Nikkei and Australia's benchmark index were each up 1.1%. Boosting overall sentiment, drug maker Pfizer Inc said on Friday it could have a coronavirus vaccine ready in the United States by the end of this year. E-Mini futures for the S&P 500 jumped 0.6% in Asian trading after House Speaker Nancy Pelosi said on Sunday she was optimistic legislation on a wide-ranging coronavirus relief package could be pushed through before the election. But with her negotiating partner, Treasury Secretary Steven Mnuchin, in the Middle East until Tuesday, such a timeframe would seem to be overly optimistic, analysts said.

Investors are also concerned about rising coronavirus cases to help curb the spread of the disease. Global coronavirus cases rose by more than 400,000 for the first time late on Friday, a record one-day increase as much of Europe enacts new restrictions to curb the outbreak. Later in the week, key risk events include minutes of Australia's central bank meeting, the final U.S. presidential debate and global manufacturing indicators.

Action in currencies was muted with the U.S. dollar, usually perceived as a safe-haven asset, flat at 93.696 against a basket of six major currencies. The euro was slightly weaker at \$1.1712. Sterling was slightly higher though it was still near two-week lows after UK Prime Minister Boris Johnson told businesses to get ready for a no-deal Brexit in case negotiations with the European Union fail to produce a free trade agreement.

"EU-UK trade talks are flirting with collapse," ANZ economists said. "UK Prime Minister Johnson said the UK needs to prepare for a no-deal outcome, as both sides cannot agree on a Canada-style FTA. Talks resume in London on Monday, but without the political willingness to shift ground, there is little the negotiators can achieve."

In commodities, Brent crude futures slipped 14 cents to \$42.79 a barrel, and U.S. West Texas Intermediate (WTI) crude futures fell 14 cents to \$40.74 a barrel. Spot gold was a shade firmer at \$1,900.8 an ounce.

Domestic Markets

South Africa's rand firmed on Friday, ending the week close to where it began, as some disappointment over the president's economic recovery plan was offset by weakness in developed market currencies amid a surge in coronavirus infections.

At 1500 GMT the rand was 0.75% firmer at 16.5250 per dollar, not far from Monday's opening level of 16.5000, reflecting the subdued trade that has prevailed for most of week.

Sentiment toward the rand has largely been driven by external events, with upcoming presidential elections in the United States, and wrangling over an economic stimulus package between Democrats and Republicans there the main focus.

Fresh restrictions to combat COVID-19, introduced across Europe, and a flush of new cases in the U.S. Midwest have also spooked investors, limiting bets on risk assets but only slowing enthusiasm for safe havens.

President Cyril Ramaphosa's unveiling of a keenly awaited economic recovery plan on Thursday produced few fireworks, and the rand's response was consequently muted. Analysts said the plan contained "nothing new" and was short on details, shifting the focus to the medium term budget now due on Oct. 28 after the finance minister asked for a week's delay.

"This is not a 'whatever it takes' economic plan, as promised by the President, nor are these really extraordinary measures," said Old Mutual Chief Economist Johann Els.

Government bonds firmed, with the yield on the instrument due in 2030 was down 7 basis points to 9.34%.

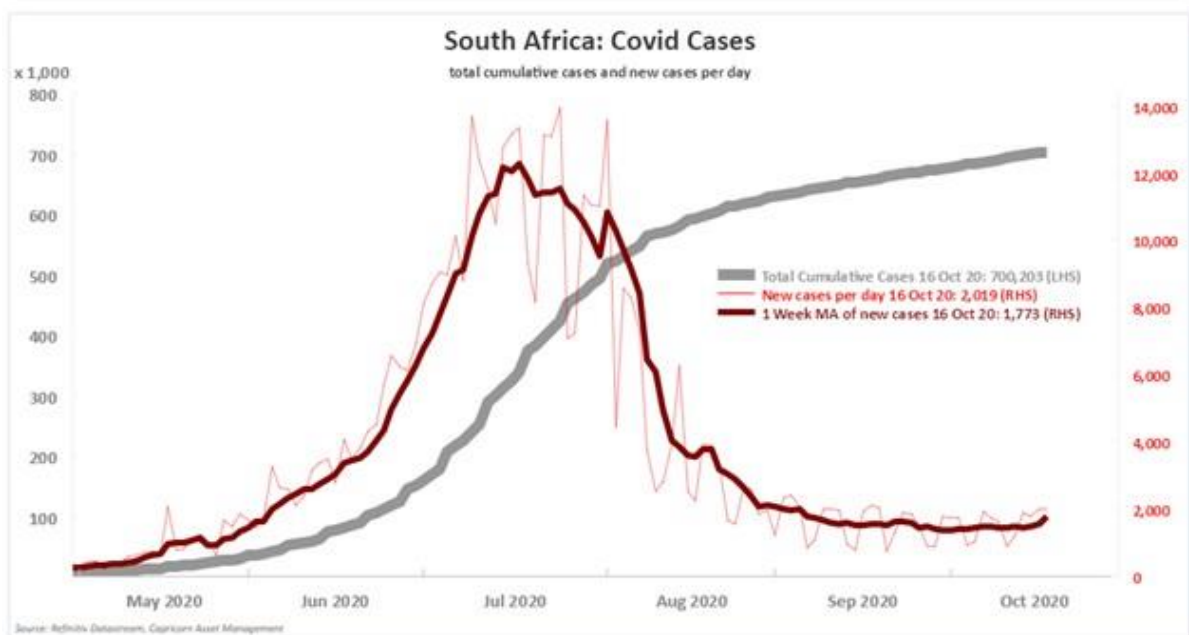
Stocks were lifted by Ramaphosa's plan, pushing retail, leisure and construction stocks higher as they stand to benefit from the projected 800,000 jobs and infrastructure building programme. The benchmark Top-40 index closed 0.38% firmer at 50697 points and the All-Share index rose 0.37% to 55,047 points.

The general retail and consumer goods sectors were among the main gainers, rising 1.29% and 1.89% respectively, while casino and hotels firms Tsogo Sun Gaming jumped 8.2% and Sun International rose 1.7%.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	40,043,796	55,722	1,112,983	27,869,217



Character cannot be developed in ease and quiet. Only through experience of trial and suffering can the soul be strengthened, ambition inspired, and success achieved.

Helen Keller

Market Overview

MARKET INDICATORS (Thomson Reuters)				19 October 2020	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↓	3.87	-0.008	3.88	3.87
6 months	↓	3.93	-0.016	3.95	3.93
9 months	↓	3.93	-0.025	3.95	3.93
12 months	↓	3.86	-0.033	3.90	3.86
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	↓	3.95	-0.100	4.05	3.95
GC22 (Coupon 8.75%, BMK R2023)	↓	4.98	-0.155	5.14	4.98
GC23 (Coupon 8.85%, BMK R2023)	↓	4.88	-0.155	5.04	4.88
GC24 (Coupon 10.50%, BMK R186)	↓	7.39	-0.065	7.45	7.39
GC25 (Coupon 8.50%, BMK R186)	↓	7.40	-0.065	7.46	7.40
GC26 (Coupon 8.50%, BMK R186)	↓	7.40	-0.065	7.46	7.40
GC27 (Coupon 8.00%, BMK R186)	↓	7.69	-0.065	7.75	7.69
GC30 (Coupon 8.00%, BMK R2030)	↓	9.65	-0.070	9.72	9.65
GC32 (Coupon 9.00%, BMK R213)	↓	10.78	-0.085	10.86	10.78
GC35 (Coupon 9.50%, BMK R209)	↓	11.90	-0.055	11.96	11.90
GC37 (Coupon 9.50%, BMK R2037)	↓	12.65	-0.040	12.69	12.65
GC40 (Coupon 9.80%, BMK R214)	↓	13.21	-0.055	13.27	13.21
GC43 (Coupon 10.00%, BMK R2044)	↓	13.76	-0.055	13.82	13.76
GC45 (Coupon 9.85%, BMK R2044)	↓	14.04	-0.055	14.10	14.04
GC50 (Coupon 10.25%, BMK: R2048)	↓	14.09	-0.055	14.15	14.09
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	⇒	4.49	0.000	4.49	0.00
GI25 (Coupon 3.80%, BMK NCPI)	⇒	4.49	0.000	4.49	0.00
GI29 (Coupon 4.50%, BMK NCPI)	⇒	5.91	0.000	5.91	0.00
GI33 (Coupon 4.50%, BMK NCPI)	⇒	6.82	0.000	6.82	0.00
GI36 (Coupon 4.80%, BMK NCPI)	⇒	7.09	0.000	7.09	0.00
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,899	-0.46%	1,908	1,904
Platinum	↓	860	-0.44%	864	866
Brent Crude	↓	42.9	-0.53%	43.2	42.9
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,075	0.21%	1,073	1,075
JSE All Share	↑	55,047	0.37%	54,844	55,047
SP500	↑	3,484	0.01%	3,483	3,484
FTSE 100	↑	5,920	1.49%	5,833	5,920
Hangseng	↑	24,387	0.94%	24,159	24,550
DAX	↑	12,909	1.62%	12,704	12,909
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	9,678	-1.47%	9,822	9,678
Resources	↑	54,169	0.24%	54,041	54,169
Industrials	↑	75,222	1.01%	74,473	75,222
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	16.55	-0.41%	16.62	16.55
N\$/Pound	↓	21.37	-0.44%	21.46	21.39
N\$/Euro	↓	19.39	-0.33%	19.46	19.38
US dollar/ Euro	↑	1.172	0.10%	1.171	1.171
		Namibia		RSA	
Interest Rates & Inflation		Latest	Previous	Latest	Previous
Central Bank Rate	↓	3.75	4.00	3.50	3.75
Prime Rate	↓	7.50	7.75	7.00	7.25
		Sep 20	Aug 20	Aug 20	Jul 20
Inflation	⇒	2.4	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



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