



The Daily Brief

 Capricorn Asset Management

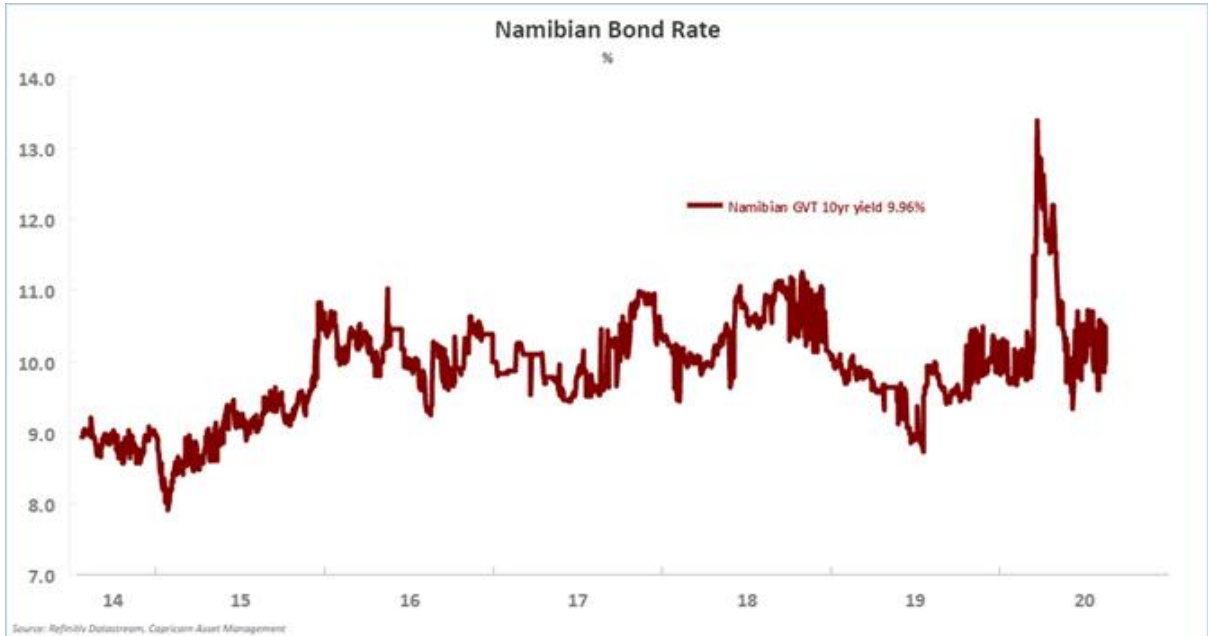
Market Update

Thursday, 20 August 2020

Namibia Bonds

The latest bond tender was, once again, well subscribed. The Government borrowed N\$245m, whilst the market was prepared to lend it N\$1bn. This means that the bid/offer ratios remain high. For instance, for the GC26 bond it was 5.6, which indicates it was the most popular bond in this auction (see table). At the longer end yields remain very attractive with the GC43 at nearly 14%.

Bond tender 19 August 20	GC23	GC26	GC32	GC37	GC43	Total
Offered N\$	50,000,000	60,000,000	50,000,000	40,000,000	45,000,000	245,000,000
Bids N\$	190,000,000	335,500,000	223,830,000	165,120,000	125,160,000	1,039,610,000
Bid/offer	3.8	5.6	4.5	4.1	2.8	4.2
Allocated N\$	50,000,000	60,000,000	50,000,000	40,000,000	45,000,000	245,000,000
Maturity	15 October 2023	15 April 2026	15 April 2032	15 July 2037	15 July 2043	n/a
Yield %	5.1	7.8	10.5	12.3	13.8	n/a



Global Markets

Asian equities and U.S. futures fell on Thursday, hurt by the U.S. Federal Reserve's cautious view of the economy, tensions with China and new clusters of coronavirus infections.

MSCI's broadest index of Asia-Pacific shares outside Japan slid 1.79%, the biggest daily decline in five weeks. U.S. stock futures were down 0.55%. Australian stocks dropped 0.91% due to concern that ties with China will worsen further after a report that Australian regulators will reject acquisitions by a Chinese company. Shares in China fell 1.28% due to dwindling expectations for additional monetary easing after the People's Bank of China kept a benchmark lending rate unchanged on Thursday. Japanese stocks slid 1.06%. South Korean stocks tumbled 3.26%, the biggest daily decline since June 15, amid a spike in coronavirus cases in Seoul. Euro Stoxx 50 futures were down 1.36%, German DAX futures fell 1.31%, and FTSE futures was off 1.27%.

Market sentiment had been bullish up until Fed policymakers' comments highlighted uncertainties over the U.S. recovery, with the S&P 500 and the Nasdaq hitting all-time highs driven largely by Apple Inc. The iPhone maker's shares rose 1.4% to make it the first publicly listed U.S. company to reach \$2 trillion in market capitalisation, while strong results from retailers Target and Lowe's also lifted sentiment. The positive mood quickly faded, however, after several Fed members said additional easing may be needed because a rebound in employment was already slowing.

The downbeat tone spilled over into Asia, which weighed on equities and oil futures but pushed gold prices higher due to economic uncertainty. "It was a decent day for banks, Apple, and Nike but everything else was in the reverse after the Fed said economic conditions will be difficult for a while," said Jamie Cox, managing partner at Harris Financial Group. "We've seen some good numbers out of retail but there's uncertainty that these companies won't replicate those earnings without some stimulus."

Minutes from the Fed's July meeting showed the swift rebound in employment seen in May and June had likely slowed and that additional "substantial improvement" in the labour market would hinge on a "broad and sustained" reopening of business activity. The readout on Fed discussions provides hints to further action that the U.S. central bank could take in September. No change in interest rate policy is expected until end-2021. The Dow Jones Industrial Average slipped 0.31%, the S&P 500 lost 0.44% and the Nasdaq Composite was down 0.57%.

Spot gold rose 0.82% to \$1,945.43 per ounce on Thursday, recovering from a 3.6% tumble on Wednesday as the cautious mood boosted demand for the safe harbour asset.

The yield on benchmark 10-year Treasury notes fell slightly to 0.6623% while those on the 20-year bond also fell to 1.1725%. Some bond investors were also disappointed after the Fed minutes showed central bankers downplayed the chance of capping bond yields. The dollar index, which reflects the greenback's value against six leading trading currencies, steadied at 92.983.

Oil prices edged lower over lingering concerns of weak global fuel demand after data showed that U.S. crude stockpiles fell 1.6 million barrels last week. Brent crude futures decreased by 0.77% to \$45.02 a barrel. U.S. crude futures slid by 0.89% to \$42.55 a barrel.

Domestic Markets

South Africa's rand edged higher on Wednesday, extending the previous session's gains on dollar weakness and optimism over a further easing of the country's coronavirus lockdown.

With no major domestic data releases this week, the rand is likely to react to international news such as the release later on Wednesday of U.S. Federal Reserve minutes from its most recent meeting.

At 1500 GMT, the rand traded at 17.1525 versus the dollar, 0.98% stronger than its previous close.

Domestic financial markets shrugged off the resumption of planned power cuts by state electricity utility Eskom after breakdowns at the utility's coal-fired power stations. Eskom's struggles are one of the main reasons why investors are cautious about the growth outlook for South Africa.

Commerzbank's emerging market analyst Elisabeth Andreae said in a note that the power outages suggested that the road out of the coronavirus crisis was going to be long and rocky. "That means the rand continues to depend on global factors for a further recovery, above all positive risk sentiment," said Andreae.

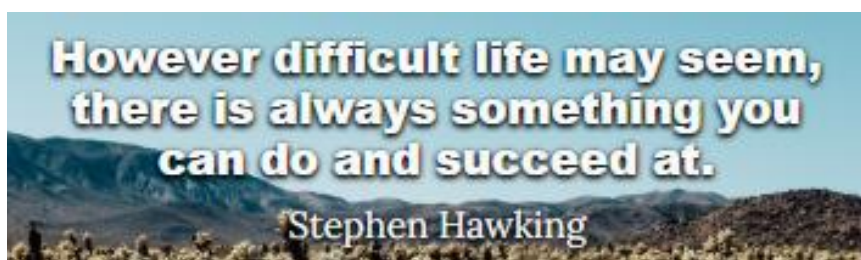
In the stock market, trade tensions between the United States and China kept the pressure on market heavyweight Naspers while falling precious metal prices after a strong run kept resources companies in check. Banks, which had been one of the worst performing sectors since the March crash, showed some resilience.

The benchmark FTSE/JSE All Share index closed down 1.04% to 56,433 points, back to its end July levels. The FTSE/JSE Top 40 Companies index was down 1.14% to end the day at 52,138 points. Government bonds weakened, as the yield on the 2030 bond rose 2.5 basis point to 9.315%.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		20-Aug-2020		7:46
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	22,431,915	267,662	785,634	14,225,392



Market Overview

MARKET INDICATORS (Thomson Reuters)					20 August 2020	
Money Market TB's						
		Last close	Difference	Prev close	Current Spot	
3 months	⇒	3.96	0.000	3.96	3.96	
6 months	⇒	4.07	0.000	4.07	4.07	
9 months	⇒	4.15	0.000	4.15	4.15	
12 months	⇒	4.17	0.000	4.17	4.17	
Nominal Bonds						
		Last close	Difference	Prev close	Current Spot	
GC21 (BMK: R208)	↓	4.03	-0.020	4.05	4.03	
GC22 (BMK: R2023)	↑	5.17	0.030	5.14	5.18	
GC23 (BMK: R2023)	↑	5.14	0.030	5.11	5.15	
GC24 (BMK: R186)	↑	7.79	0.025	7.77	7.80	
GC25 (BMK: R186)	↑	7.80	0.025	7.78	7.81	
GC26 (BMK: R186)	↑	7.84	0.025	7.82	7.85	
GC27 (BMK: R186)	↑	8.09	0.025	8.07	8.10	
GC30 (BMK: R2030)	↑	9.59	0.010	9.58	9.62	
GC32 (BMK: R213)	↑	10.43	0.015	10.41	10.43	
GC35 (BMK: R209)	⇒	11.78	0.000	11.78	11.81	
GC37 (BMK: R2037)	↑	12.39	0.025	12.37	12.42	
GC40 (BMK: R214)	↑	12.95	0.025	12.93	12.96	
GC43 (BMK: R2044)	↑	13.28	0.005	13.28	13.32	
GC45 (BMK: R2044)	↑	13.83	0.005	13.83	13.87	
GC50 (BMK: R2048)	↑	13.92	0.020	13.90	13.96	
Inflation-Linked Bonds						
		Last close	Difference	Prev close	Current Spot	
GI22 (BMK: NCPI)	⇒	4.49	0.000	4.49	4.49	
GI25 (BMK: NCPI)	⇒	4.49	0.000	4.49	4.49	
GI29 (BMK: NCPI)	⇒	5.98	0.000	5.98	5.98	
GI33 (BMK: NCPI)	⇒	6.70	0.000	6.70	6.70	
GI36 (BMK: NCPI)	⇒	6.99	0.000	6.99	6.99	
Commodities						
		Last close	Change	Prev close	Current Spot	
Gold	↓	1,930	-3.57%	2,001	1,950	
Platinum	↓	932	-2.56%	956	938	
Brent Crude	↓	45.4	-0.20%	45.5	45.0	
Main Indices						
		Last close	Change	Prev close	Current Spot	
NSX Overall Index	↓	1,121	-0.71%	1,129	1,121	
JSE All Share	↓	56,433	-1.04%	57,025	56,433	
SP500	↓	3,375	-0.44%	3,390	3,375	
FTSE 100	↑	6,112	0.58%	6,077	6,112	
Hangseng	↓	25,179	-0.74%	25,367	24,689	
DAX	↑	12,977	0.74%	12,882	12,977	
JSE Sectors						
		Last close	Change	Prev close	Current Spot	
Financials	↑	10,193	0.30%	10,162	10,193	
Resources	↓	58,039	-1.68%	59,032	58,039	
Industrials	↓	74,104	-1.05%	74,888	74,104	
Forex						
		Last close	Change	Prev close	Current Spot	
N\$/US dollar	↓	17.27	-0.28%	17.32	17.28	
N\$/Pound	↓	22.62	-1.31%	22.92	22.60	
N\$/Euro	↓	20.44	-1.05%	20.66	20.45	
US dollar/ Euro	↓	1.184	-0.78%	1.193	1.184	
Economic data						
		Namibia		RSA		
		Latest	Previous	Latest	Previous	
Inflation	⇒	2.1	2.1	2.2	2.1	
Prime Rate	↓	7.75	8.00	7.25	7.75	
Central Bank Rate	↓	3.75	4.00	3.50	3.75	

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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