



Market Update

Friday, 20 August 2021



Global Markets

Asian shares finished the week heading for their lowest close since November and worst week since February, dragged down by losses in China and extending the sharp falls a day earlier. Meanwhile the dollar held onto its recent gains sitting at a nine-month high, as traders continued to seek safety in turbulent markets amid fears of slowing growth and a potential easing in U.S. stimulus.

The MSCI's broadest index of Asia-Pacific shares outside Japan dropped 1.04%, down 4.8% on the week, its worst week since February. The Hong Kong benchmark touched its lowest this year, and was last down 2.28% while Chinese blue chips fell 2.4%.

"There are several reasons for the declines, but the main thing is the ongoing regulatory risk. Markets are reacting sharply to regulatory changes or any suggestions in state media that they might be coming," said Gary Ng, an economist at Natixis in Hong Kong, pointing as an example to falls in alcohol stocks, which are rumoured to be in the authorities' sights. Liquor company Kweichow Moutai, one of Asia's biggest stocks fell 4.18% on Friday.

Hong Kong's embattled tech sub index dropped 3.57% as state media said China's National People's Congress on Friday officially passed a law designed to protect online user data privacy, which is expected to add more compliance requirements for companies in the country. Recent regulatory crackdowns have smashed stocks from property to tech to education. South Korea's Kospi was also down 0.92%, set for its worst week in seven months. Japan's Nikkei fell 0.87% to a seven-month low. U.S. stock futures, the S&P 500 e-minis, were down 0.17%, and in early European trades, the pan-region Euro Stoxx 50 futures were down 0.02%.

As well as China, markets are also worried about slowing growth in Asia amid outbreaks the Delta variant of the new coronavirus, and also the potential for the United States to begin shrinking its monetary stimulus. Fan Cheuk Wan, HSBC's Asia chief investment officer for private banking and wealth management, said markets were now starting to look for policy responses from Asian governments, both in terms of speeding up vaccination roll outs and policy support from to mitigate the growth risk.

"The Chinese government will likely roll out more measures such as targeted reserve requirement ratio cuts or tax relief or subsidies for small and medium enterprises," she said, though noted they would likely avoid broad based easing through interest rate cuts. China as expected left its benchmark lending rate for corporate and household loans unchanged for a 16th straight month at its August fixing on Friday.

The dollar index, which measures the greenback against six rivals, rose as high as 93.597 for the first time since early November, as traders sought safety. It has also been boosted by widely held expectations the Federal Reserve could still start to taper stimulus this year, and is set to post its strongest weekly gain in two months. The Fed will hold its annual research conference in Jackson Hole, Wyoming, next week, where Fed Chair Jerome Powell will o give a speech that will be closely watched.

The Australian dollar sank to a new 9 1/2-month low as a COVID-19 lockdown in Sydney was extended by a month. Oil prices stabilised after sharp falls earlier in the week. U.S. crude ticked up 0.58% to \$64.06 a barrel. Brent crude rose 0.62% to \$66.81 per barrel. US Treasuries moved little in Asian hours, The yield on benchmark 10-year Treasury notes was 1.238% compared with its U.S. close of 1.242%.



Domestic Markets

South Africa's rand fell to its weakest in more than five months and stocks sank nearly 3% to their lowest in close to a month on Thursday as expectations the U.S. Federal Reserve will start tapering its huge stimulus this year dented sentiment worldwide.

At 1500 GMT, the rand traded at 15.1550 against the dollar, 1.45% weaker than its previous close and trading at its weakest since March 10. The dollar index, which measures its performance against six currencies, hit 93.434, its highest since early November last year.

"The statement of the Fed was also outlined with some misgivings (COVID, inflation), which have caused the markets to trade in a rollercoaster fashion since the release of the minutes," TreasuryONE currency strategist Andre Cilliers said in a note.

The minutes of the Fed's July meeting showed officials largely expect to reduce their monthly bond buying later this year, but consensus on other key issues appeared elusive, including the timing of the start of the taper and whether inflation, joblessness or the coronavirus pose a bigger risk to economic recovery. Signs the Fed will start normalising policy tend to hurt assets in emerging markets like South Africa, as they have benefited from the U.S. central bank's ultra-loose approach.

South African government bonds also weakened, as the yield on the 2030 bond rose 7 basis points to 8.935%.

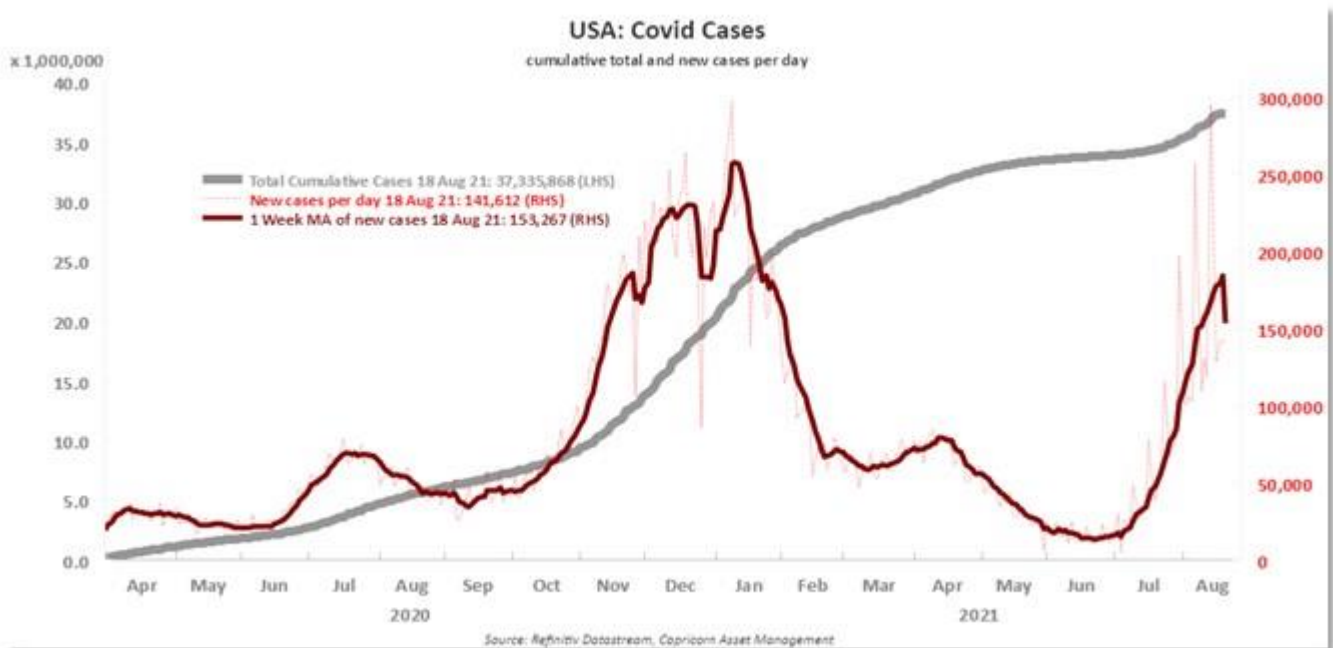
The Johannesburg All Share index fell 2.6% to 66,113 points, levels last seen on July 21, while the Top-40 index sank 2.85% to 59,854 points. Sliding oil prices on worries about a demand downturn as the global economy slows saw petrochemicals firm Sasol lose 7.6%, while weak gold, platinum, palladium and iron ore prices hit commodity stocks, with the mining index down 3.73%.

Tech stocks fell as Chinese internet behemoth Tencent Holdings Ltd, in which Dutch tech investment group Prosus is invested, slipped 3.5% as fears of more regulations clouded a quarterly profit jump. China's Ministry of Industry and Information Technology on Wednesday rebuked 43 apps, including Tencent's WeChat for illegally transferring user data. As a result, Johannesburg-listed shares of Tencent's biggest shareholder Prosus dropped 5.52%, while shares in Prosus' parent Naspers sunk 4.36%.

"The Chinese government's unrelenting crackdown on the internet industry is causing many global investors to 'throw in the towel' on their Chinese equity exposure, spurred by growing fears that other industries could soon be subjected to similar treatment," said Adam Bulkin, Head of Research at Sanlam Investments Multi-Managers.

Corona Tracker

GLOBAL CASES		20-Aug-2021	
SOURCE - REUTERS			
	Confirmed Cases	New Cases	Total Deaths
GLOBAL	209,904,267	386,490	4,576,300



Source: Thomson Reuters Refinitiv

Blessed are the merciful, for they will be shown mercy.

Jesus Christ

Market Overview

MARKET INDICATORS (Thomson Reuters)		20 August 2021			
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	⇒	4.25	0.000	4.25	4.25
6 months	↑	4.73	0.100	4.63	4.73
9 months	↑	5.13	0.100	5.03	5.13
12 months	↑	5.24	0.100	5.14	5.24
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	↑	4.29	0.020	4.27	4.29
GC22 (Coupon 8.75%, BMK R2023)	↑	5.71	0.020	5.69	5.72
GC23 (Coupon 8.85%, BMK R2023)	↑	5.61	0.020	5.59	5.62
GC24 (Coupon 10.50%, BMK R186)	↑	7.67	0.070	7.60	7.68
GC25 (Coupon 8.50%, BMK R186)	↑	7.68	0.070	7.61	7.69
GC26 (Coupon 8.50%, BMK R186)	↑	7.68	0.070	7.61	7.69
GC27 (Coupon 8.00%, BMK R186)	↑	7.97	0.070	7.90	7.98
GC30 (Coupon 8.00%, BMK R2030)	↑	9.25	0.090	9.16	9.27
GC32 (Coupon 9.00%, BMK R213)	↑	10.26	0.090	10.17	10.27
GC35 (Coupon 9.50%, BMK R209)	↑	11.20	0.055	11.14	11.20
GC37 (Coupon 9.50%, BMK R2037)	↑	11.67	0.045	11.63	11.68
GC40 (Coupon 9.80%, BMK R214)	↑	12.52	0.045	12.47	12.53
GC43 (Coupon 10.00%, BMK R2044)	↑	12.76	0.035	12.72	12.77
GC45 (Coupon 9.85%, BMK R2044)	↑	13.04	0.035	13.00	13.05
GC48 (Coupon 10.00%, BMK R2048)	↑	13.12	0.040	13.08	13.13
GC50 (Coupon 10.25%, BMK: R2048)	↑	13.06	0.040	13.02	13.07
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	⇒	3.95	0.000	3.95	3.95
GI25 (Coupon 3.80%, BMK NCPI)	⇒	3.96	0.000	3.96	3.96
GI27 (Coupon 4.00%, BMK NCPI)	⇒	4.99	0.000	4.99	4.99
GI29 (Coupon 4.50%, BMK NCPI)	⇒	6.19	0.000	6.19	6.19
GI33 (Coupon 4.50%, BMK NCPI)	⇒	7.01	0.000	7.01	7.01
GI36 (Coupon 4.80%, BMK NCPI)	⇒	7.61	0.000	7.61	7.61
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,780	-0.41%	1,788	1,785
Platinum	↓	973	-2.11%	994	982
Brent Crude	↓	66.5	-2.61%	68.2	66.7
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,469	-2.15%	1,501	1,469
JSE All Share	↓	66,113	-2.64%	67,906	66,113
SP500	↑	4,406	0.13%	4,400	4,406
FTSE 100	↓	7,059	-1.54%	7,169	7,059
Hangseng	↓	25,316	-2.13%	25,867	24,723
DAX	↓	15,766	-1.25%	15,966	15,766
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	13,886	-1.36%	14,077	13,886
Resources	↓	65,152	-2.89%	67,089	65,152
Industrials	↓	82,706	-3.18%	85,421	82,706
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	15.20	1.58%	14.97	15.24
N\$/Pound	↑	20.74	0.72%	20.59	20.77
N\$/Euro	↑	17.75	1.27%	17.53	17.81
US dollar/ Euro	↓	1.167	-0.31%	1.171	1.169
		Namibia		RSA	
Interest Rates & Inflation		Aug 21	Jul 21	Aug 21	Jul 21
Central Bank Rate	⇒	3.75	3.75	3.50	3.50
Prime Rate	⇒	7.50	7.50	7.00	7.00
		Jul 21	Jun 21	Jul 21	Jun 21
Inflation	↓	4.0	4.1	4.6	4.9

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 the Overall Index, including dual listed

Source: Thomson Reuters Refinitiv

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.



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