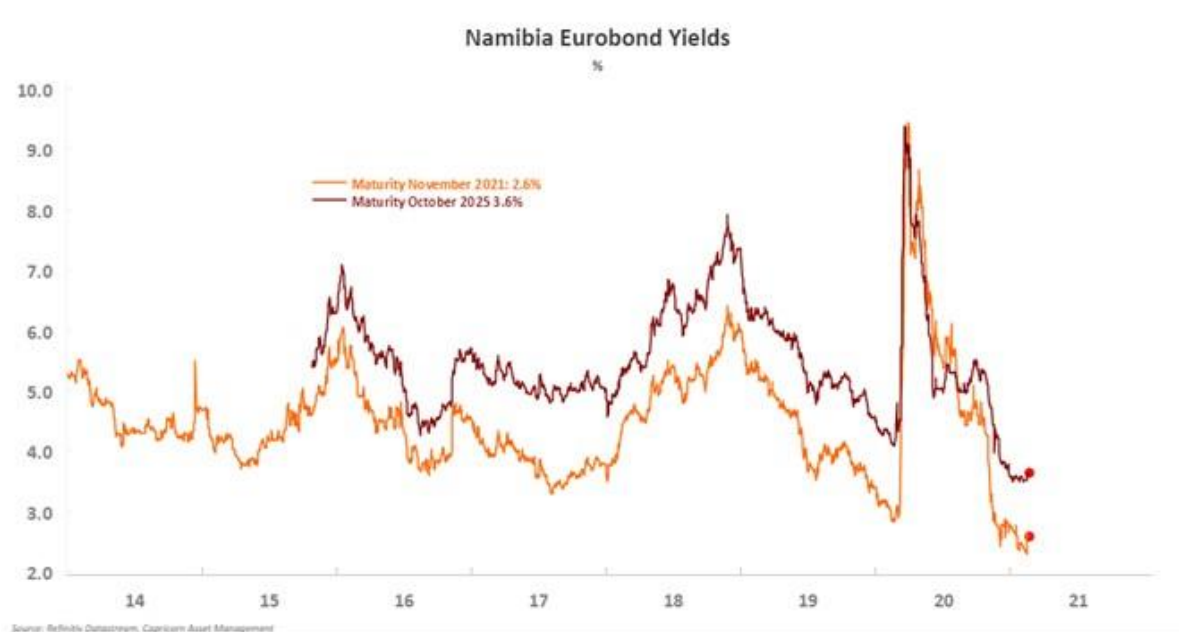




## Market Update

Monday, 22 February 2021



## Global Markets

Asian shares turned mixed on Monday as expectations for faster economic growth and inflation globally battered bonds and boosted commodities, while rising real yields made equity valuations look more stretched in comparison.

MSCI's broadest index of Asia-Pacific shares outside Japan went flat, after slipping from a record top last week as the jump in U.S. bond yields unsettled investors. Japan's Nikkei recouped 0.8% and South Korea 0.1%, but Chinese blue chips lost 1.4%. S&P 500 futures dipped 0.1% and EUROSTOXX 50 futures 0.3%, while FTSE futures fell 0.7%.

Bonds have been bruised by the prospect of a stronger economic recovery and yet greater borrowing as President Joe Biden's \$1.9 trillion stimulus package progresses.

"Yield curves have continued to steepen, as COVID infection rates decline further, reopening plans are discussed and a large U.S. fiscal stimulus package looks likely," said Christian Keller, Barclays' head of economics research. "This in principle signals a better medium-term growth outlook for the U.S. and beyond, as other core yields curves are moving in the same direction," he added.

"Meanwhile, central banks seem set to look through this year's inflation increase, keeping the curves' front end anchored."

Federal Reserve Chair Jerome Powell delivers his semi-annual testimony before Congress this week and is likely to reiterate a commitment to keeping policy super easy for as long as needed to drive inflation higher. European Central Bank President Christine Lagarde is also expected to sound dovish in a speech later Monday.

Yields on 10-year Treasury notes have already reached 1.38%, breaking the psychological 1.30% level and bringing the rise for the year so far to a steep 43 basis points. Analysts at BofA noted 30-year bonds had returned -9.4% in the year to date, the worst start since 2013. "Real assets are outperforming financial assets big in '21 as cyclical, political, secular trends say higher inflation," the analysts said in a note. "Surging commodities, energy laggards in vogue, materials in secular breakouts."

One of the stars has been copper, a key component of renewable technology, which shot up 7.7% last week to a nine-year peak. Even the broader LME base metal index climbed 5.5% on the week. Oil prices have gone along for the ride, aided by tightening supplies and freezing weather, giving Brent gains of 22% for the year so far. On Monday, Brent crude futures were up another 66 cents at \$63.57 a barrel, while U.S. crude added 51 cents to \$59.75.

All of which has been a boon for commodity-linked currencies, with the Canadian, Australian and New Zealand dollars all sharply higher for the year so far. Sterling reached a three-year top at \$1.4050, aided by one of the fastest vaccine rollouts in the world. British Prime Minister Boris Johnson is due to outline a path from COVID-19 lockdowns on Monday.

The U.S. dollar index has been relatively range-bound, with downward pressure from the country's expanding twin deficits balanced by higher bond yields. The index was last at 90.342, not far from where it started the year at 90.260. Rising Treasury yields has helped the dollar gain somewhat on the yen to 105.60, given the Bank of Japan is actively restraining yields at home. The euro was steady at \$1.2120, corralled between support at \$1.2021 and resistance around \$1.2169.

One commodity not doing so well is gold, partly due to rising bond yields and partly as investors question if crypto currencies might be a better hedge against inflation. The precious metal stood at \$1,783 an ounce, having started the year at \$1,896. Bitcoin was off 2.2% on Monday at \$56,209, but started the year at \$19,700.

## **Domestic Markets**

South Africa's rand weakened on Friday afternoon in increasingly cautious trade ahead of the budget speech next week, which will give the government's outlook on the economy and public finances.

At 1500 GMT, the rand was 0.58% weaker at 14.6600 per dollar, despite a slide in the greenback against other currencies after disappointing employment data dimmed hopes of a rapid recovery in the world's top economy.

Bonds also inched lower, with the yield on the benchmark 2030 government issue up 12 basis points to 8.885%.

The rand's rally so far in 2021 to a one-year high has largely been driven by offshore events, with expansive stimulus policies in the United States and other developed economies, as well as the roll-out of COVID-19 vaccines, driving global risk demand.

That optimism has dimmed in recent sessions with investors looking to book profits and wait for the next catalyst. Locally, the budget speech due to be delivered by Finance Minister Tito Mboweni on Feb. 24 has led to further caution.

"Next week the key event in the domestic market is the 2021 budget with markets hoping for no further deterioration in fiscal metrics," Kamilla Kaplan of Investec said in a note. Recent data has shown better-than-expected economic activity and revenue collection at the end of 2020, while slowing COVID-19 infections and the roll-out of vaccines have soothed sentiment.

South African shares climbed to near record highs on improved earnings forecasts as well as higher commodity prices. The Top-40 index ended 1.47% firmer at 62,105 points, close to a record high of 62,271 hit on Tuesday, while the Johannesburg All-share index rose 1.34% to 67,464 points.

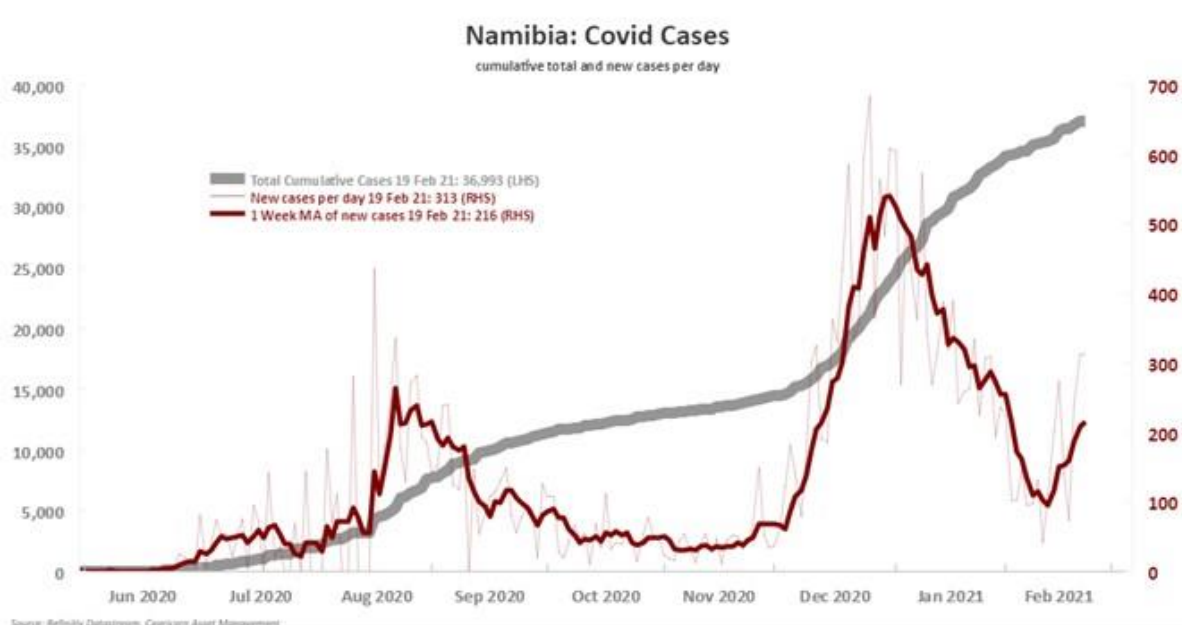
The second biggest gainer on the all-share index was Liberty Two Degrees, jumping 12.79%, its biggest daily climb in eight months, after the owner of Sandton City mall said it now expects its annual distributable earnings to fall by between 44% and 49%, rather than its previous forecast made in November for a decline of between 55% and 65%. Building materials retailer Cashbuild rose 2.04% after it also revised the estimated rise in its half-year headline earnings per share to between 100% and 105% from 100%. Miner Harmony Gold climbed 1.76% after flagging a rise in interim earnings of as much as 219%.

## Corona Tracker

GLOBAL CASES				
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
<b>GLOBAL</b>	111,374,254	215,768	2,569,917	73,558,625

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

Source: Thomson Reuters



## Market Overview

MARKET INDICATORS (Thomson Reuters)		22 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	⬇	4.62	-0.016	4.63	4.62
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)	⬆	5.62	0.125	5.49	5.62
GC23 (Coupon 8.85%, BMK R2023)	⬆	5.52	0.125	5.39	5.52
GC24 (Coupon 10.50%, BMK R186)	⬆	7.42	0.100	7.32	7.41
GC25 (Coupon 8.50%, BMK R186)	⬆	7.43	0.100	7.33	7.42
GC26 (Coupon 8.50%, BMK R186)	⬆	7.43	0.100	7.33	7.42
GC27 (Coupon 8.00%, BMK R186)	⬆	7.72	0.100	7.62	7.71
GC30 (Coupon 8.00%, BMK R2030)	⬆	9.19	0.125	9.06	9.19
GC32 (Coupon 9.00%, BMK R213)	⬆	10.29	0.120	10.17	10.29
GC35 (Coupon 9.50%, BMK R209)	⬆	11.31	0.130	11.18	11.31
GC37 (Coupon 9.50%, BMK R2037)	⬆	11.87	0.130	11.74	11.87
GC40 (Coupon 9.80%, BMK R214)	⬆	12.69	0.150	12.54	12.69
GC43 (Coupon 10.00%, BMK R2044)	⬆	13.03	0.150	12.88	13.03
GC45 (Coupon 9.85%, BMK R2044)	⬆	13.31	0.150	13.16	13.31
GC50 (Coupon 10.25%, BMK: R2048)	⬆	13.32	0.155	13.16	13.32
<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)	⬇	5.69	-0.115	5.80	5.69
GI33 (Coupon 4.50%, BMK NCPI)	⬇	6.80	-0.019	6.82	6.80
GI36 (Coupon 4.80%, BMK NCPI)	⬆	7.35	0.085	7.27	7.35
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	⬆	1,782	0.38%	1,775	1,790
Platinum	⬇	1,274	-0.03%	1,274	1,286
Brent Crude	⬇	62.9	-1.60%	63.9	63.9
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	⬆	1,354	1.42%	1,335	1,354
JSE All Share	⬆	67,465	1.34%	66,575	67,465
SP500	⬇	3,907	-0.19%	3,914	3,907
FTSE 100	⬆	6,624	0.10%	6,617	6,624
Hangseng	⬆	30,645	0.16%	30,595	30,613
DAX	⬆	13,993	0.77%	13,887	13,993
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	⬆	12,369	0.11%	12,356	12,369
Resources	⬆	67,016	2.10%	65,636	67,016
Industrials	⬆	90,065	1.33%	88,885	90,065
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	⬆	14.68	0.62%	14.59	14.74
N\$/Pound	⬆	20.57	0.93%	20.38	20.66
N\$/Euro	⬆	17.79	0.87%	17.64	17.86
US dollar/ Euro	⬆	1.212	0.24%	1.209	1.212
		<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



---

**For enquiries concerning the Daily Brief please contact us at**

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

***Disclaimer***

*The information contained in this note is the property of Capricorn Asset Management (CAM). The information contained herein has been obtained from sources which and persons whom the writer believe to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute the writer’s judgement as of the date of this material and are subject to change without notice. This note is provided for informational purposes only and may not be reproduced in any way without the explicit permission of CAM.*

A member of  **Capricorn Group**

---