



Market Update

Monday, 23 August 2021



Global Markets

Asian shares bounced on Monday as a wave of bargain hunting swept beaten-down markets and China reported no new locally acquired COVID-19 cases for the first time since July, though the mood remained brittle overall.

A raft of "flash" manufacturing surveys for August out on Monday will offer an early indication of how global growth is faring in the face of the Delta variant, with analysts expecting some slippage and especially in Asia. Japan's factory activity growth slowed in August, while that of the services sector shrank at the fastest pace since May last year, highlighting the toll from COVID-19 measures on the economy.

"Following a strong V-shaped recovery, there are many signs of slower growth," says BofA's chief investment strategist Michael Hartnett. "The U.S. yield curve is at a one-year low, emerging markets are negative YTD and both copper and oil are down double digits from recent highs." He expects negative returns for stocks and credit in the rest of this year and suggests investors own defensive quality.

Concerns over China's economy have only intensified in recent weeks, while Beijing's regulatory crackdown on the tech sector delivered a double blow to markets. More than \$560 billion was wiped from Hong Kong and mainland China exchanges last week as funds fretted on which sectors regulators might target next. Beijing is considering pressing data-rich companies to hand over management and supervision of their data to third-party firms if they want U.S. stock listings, sources told Reuters.

The impact has been evident in MSCI's broadest index of Asia-Pacific shares outside Japan which sank 4.8% last week. The sheer speed and scale of the fall left it oversold, helping it rally 1.5% on Monday. Japan's Nikkei also bounced 1.7%, but that follows a 3.4% slide last week to its lowest since December. Chinese blue chips firmed 1.2% from a three-week low. Nasdaq futures and S&P 500 futures rose 0.3%, while EUROSTOXX 50 futures added 0.4% and FTSE futures 0.5%.

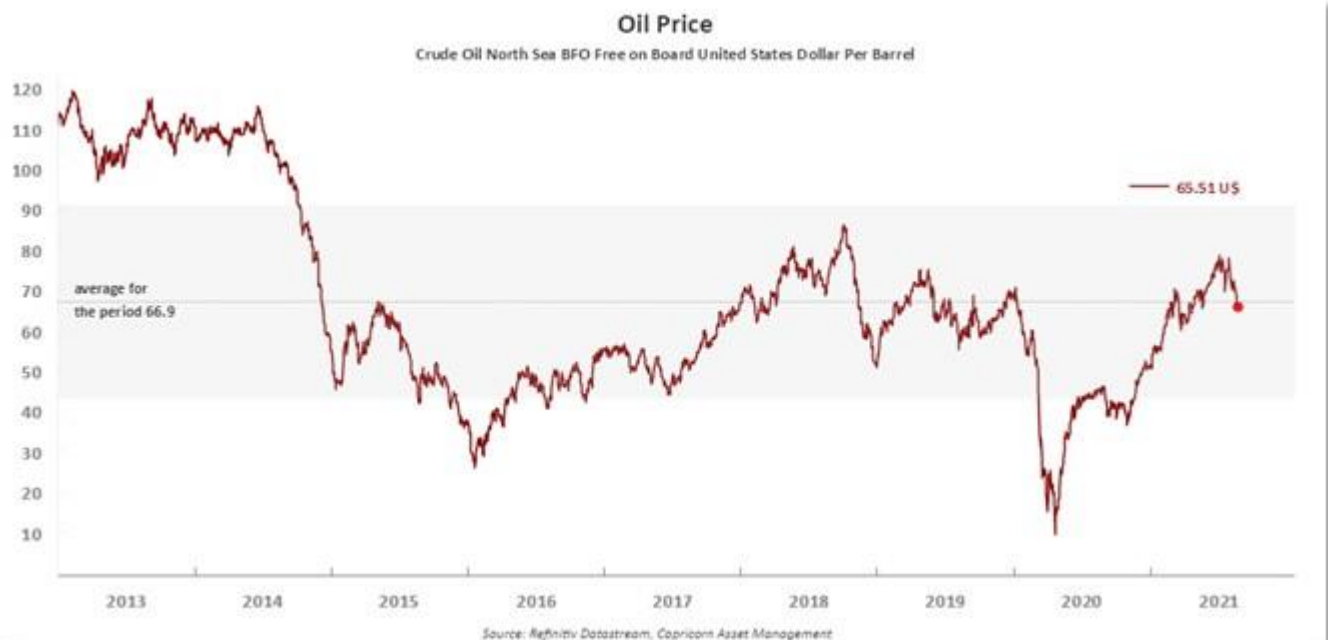
The spread of the Delta variant also has the potential to upset the timing of the U.S. Federal Reserve's tapering plans. Dallas Federal Reserve President Robert Kaplan, a well-known hawk, said on Friday he might reconsider the need for an early start to tapering if the virus harms the economy. That adds an extra frisson of uncertainty to Fed Chair Jerome Powell's speech at Jackson Hole this week, which has had to be moved online because of pandemic restrictions.

"Our base case is that the FOMC will announce a taper in September if the August non-farm payrolls is strong," said Joseph Capurso, head of international economics at CBA. "We anticipate the taper will be implemented in October or November, though the recent increase in Covid-19 infections and deaths in parts of the U.S. may give Powell pause."

That is in marked contrast to the European Central Bank which is under pressure to add more stimulus, giving the dollar a leg up on the euro. "Unlike the Fed, we do not expect the ECB to shift away from its ultra-dovish monetary policy stance," said Capurso. "We expect EUR to decline to a low of \$1.12 in Q1 2022, before gradually appreciating."

The single currency was trading at \$1.1714, after losing 0.8% last week to touch 10-month lows at \$1.1662. The dollar index was trading at 93.323 having hit a 10-month peak of 93.734 last week. The dollar also made large gains on commodity and emerging market currencies, and turned higher on the Chinese yuan. It has been more restrained against the Japanese yen at 109.84, which is benefiting from safe haven flows.

Global growth jitters took a heavy toll on commodities last week, with base metals, bulk resources and oil all falling. Gold was steadier at \$1,785, following a one-day plunge earlier in August. Oil pared some losses on Monday, after suffering its worst week in more than nine months as investors anticipated weakened fuel demand worldwide due to a surge in COVID-19 cases. Brent edged up 70 cents to \$65.88 a barrel, while U.S. crude added 57 cents to \$62.71.



Domestic Markets

South Africa's rand dipped on Friday, taking losses for the week to more than 3% against the dollar as expectations that the U.S. Federal Reserve will start tapering its stimulus this year boosted the U.S. currency at the expense of riskier assets.

The rand has also been hurt by a souring of risk sentiment worldwide over the spread of the highly transmissible Delta coronavirus variant. At 1500 GMT, the rand traded at 15.3150 against the dollar, 0.75% below its previous close and the weakest since March 9.

The U.S. currency struck a fresh 9-1/2-month high against major peers, benefiting from its appeal as a safe-haven asset at times of market turbulence.

South Africa is in the grip of a third wave of COVID-19 infections and has fully vaccinated less than 8% of its 60 million population. To speed up its immunisation drive, it opened up vaccinations to those aged 18 and over from Friday.

Stocks on the Johannesburg Stock Exchange (JSE) slipped for a third consecutive day as worries around growth in China and withdrawal of U.S. stimulus kept investors on the edge. China leads the demand for commodities, helping mining-driven countries, such as South Africa, and boosting shares of resources companies, but concerns around growth in China have pushed these stocks down in last few days.

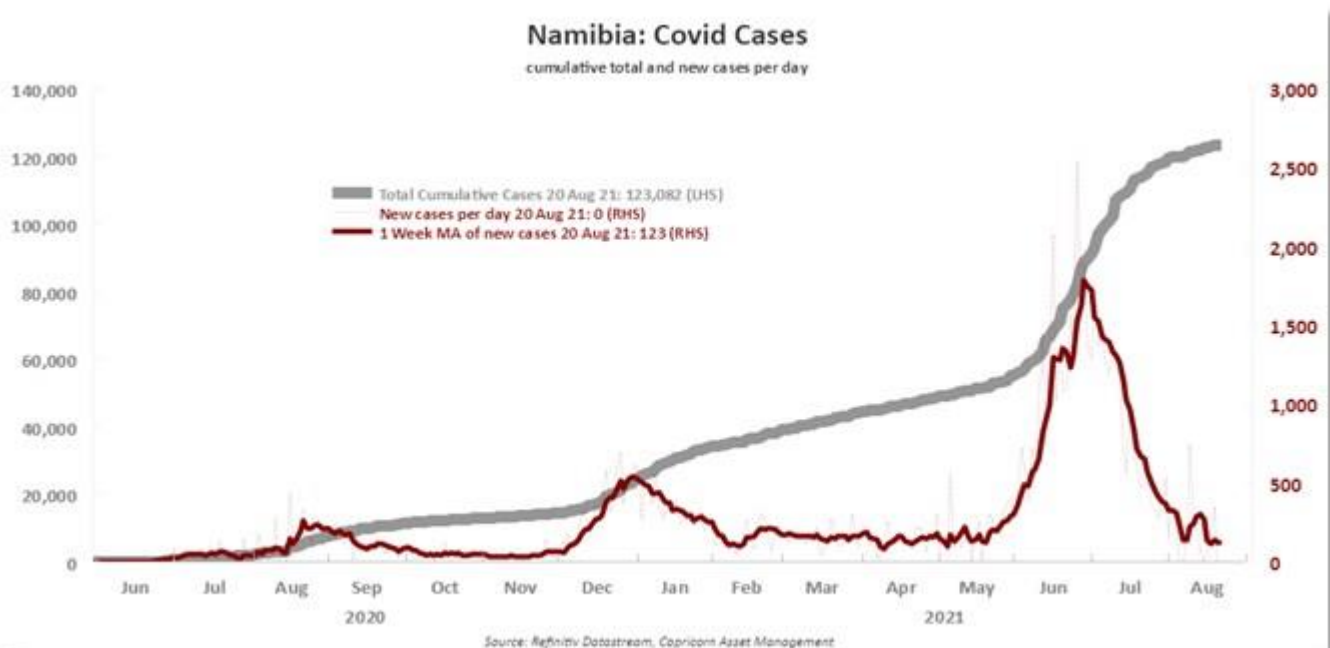
The JSE's resources index ended down 0.5% on Friday after two big falls recorded since Wednesday, pulling the benchmark all-share index down by 0.15% to 66,011 points. The index has lost 5% since last week's close. The blue-chip index of top 40 companies was down by 0.09% to 59,800 points.

A meeting of bankers from the Federal Reserve next week has instilled fear it will begin tapering stimulus, which would cut off the money supply to riskier stock markets, analysts said, adding to the market impact of concerns about a Chinese slowdown.

Government bonds weakened, as the yield on the 2030 bond edged up 0.5 basis points to 8.955%.

Corona Tracker

GLOBAL CASES		22-Aug-2021	
SOURCE - REUTERS			
	Confirmed Cases	New Cases	Total Deaths
GLOBAL	211,554,706	40,201	4,600,821



Source: Thomson Reuters Refinitiv

Diligence is the mother of good fortune.

Benjamin Disraeli

Market Overview

MARKET INDICATORS (Thomson Reuters)		23 August 2021			
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↓	4.18	-0.070	4.25	4.18
6 months	↑	4.83	0.108	4.73	4.83
9 months	↑	5.23	0.100	5.13	5.23
12 months	↑	5.34	0.100	5.24	5.34
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	↓	4.26	-0.035	4.29	4.25
GC22 (Coupon 8.75%, BMK R2023)	↓	5.68	-0.035	5.71	5.65
GC23 (Coupon 8.85%, BMK R2023)	↓	5.58	-0.035	5.61	5.55
GC24 (Coupon 10.50%, BMK R186)	↓	7.66	-0.010	7.67	7.66
GC25 (Coupon 8.50%, BMK R186)	↓	7.67	-0.010	7.68	7.67
GC26 (Coupon 8.50%, BMK R186)	↓	7.67	-0.010	7.68	7.67
GC27 (Coupon 8.00%, BMK R186)	↓	7.96	-0.010	7.97	7.96
GC30 (Coupon 8.00%, BMK R2030)	↑	9.26	0.005	9.25	9.26
GC32 (Coupon 9.00%, BMK R213)	↓	10.25	-0.010	10.26	10.25
GC35 (Coupon 9.50%, BMK R209)	↓	11.17	-0.030	11.20	11.17
GC37 (Coupon 9.50%, BMK R2037)	↓	11.66	-0.010	11.67	11.64
GC40 (Coupon 9.80%, BMK R214)	↓	12.49	-0.030	12.52	12.49
GC43 (Coupon 10.00%, BMK R2044)	↓	12.72	-0.035	12.76	12.72
GC45 (Coupon 9.85%, BMK R2044)	↓	13.00	-0.035	13.04	13.00
GC48 (Coupon 10.00%, BMK R2048)	↓	13.08	-0.040	13.12	13.08
GC50 (Coupon 10.25%, BMK: R2048)	↓	13.02	-0.040	13.06	13.02
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	↑	1,781	0.04%	1,780	1,785
Platinum	↑	996	2.32%	973	1,012
Brent Crude	↓	65.2	-1.91%	66.5	66.4
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,462	-0.45%	1,469	1,462
JSE All Share	↓	66,011	-0.15%	66,113	66,011
SP500	↑	4,442	0.81%	4,406	4,442
FTSE 100	↑	7,088	0.41%	7,059	7,088
Hangseng	↓	24,850	-1.84%	25,316	25,221
DAX	↑	15,808	0.27%	15,766	15,808
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	13,857	-0.20%	13,886	13,857
Resources	↓	64,832	-0.49%	65,152	64,832
Industrials	↑	82,931	0.27%	82,706	82,931
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	15.30	0.62%	15.20	15.24
N\$/Pound	↑	20.84	0.50%	20.74	20.82
N\$/Euro	↑	17.89	0.81%	17.75	17.85
US dollar/ Euro	↑	1.170	0.19%	1.167	1.172
		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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