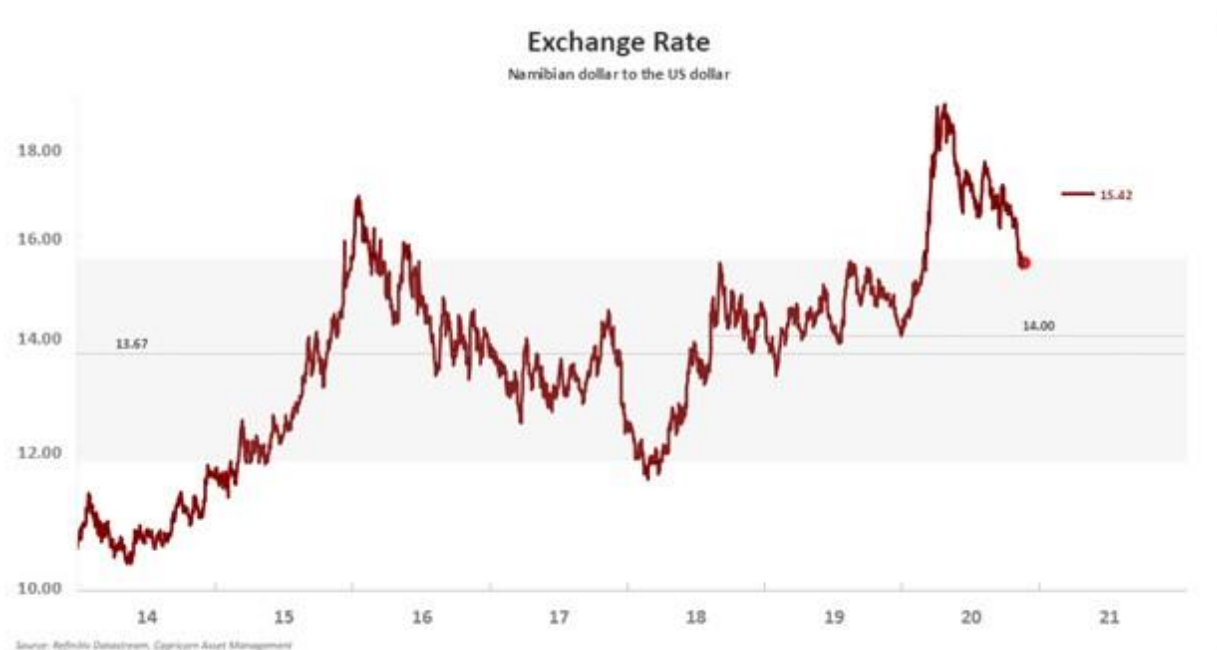




Market Update

Monday, 23 November 2020



Global Markets

Asian shares climbed on Monday, with a broad regional index touching a record high on hopes for imminent coronavirus vaccines, but worries over the impact of economic lockdowns and uncertainty over U.S. stimulus capped gains.

A top official of the U.S. government's vaccine development effort said Sunday that the first vaccines could be given to U.S. healthcare workers and others recommended by mid-December. Despite the grim backdrop of accelerating COVID-19 infections in the United States, the forecast helped to raise hopes that lockdowns that have paralysed the global economy could be nearing an end.

"With the vaccine on its way and the likelihood that economic damage being done by the virus will lift, we'll still have in place substantial support from central banks and governments. And that is an economic sweet spot that should see a significant economic bounce," said Michael McCarthy, chief market strategist at CMC Markets in Sydney. "It's fascinating that investors are willing to focus on that aspect. It does require some pretty heavy squinting, including looking through the rising infection rates that we're seeing right now. But there is a real optimism around it." Total U.S. COVID-19 cases topped 12 million over the weekend and more than 255,000 have died.

MSCI's broadest index of Asia-Pacific shares outside Japan was up 0.56% on Monday, pushing past a previous record high touched on Friday. Seoul's Kospi was 1.82% higher as an optimistic earnings outlook for South Korean chip giants drove gains. Japanese markets were closed for a holiday, but Nikkei futures added 0.19% to 25,795. The regional index also got a boost from Australian shares which gained 0.51% as the country eased some COVID-19 restrictions. Most of the country has seen no new community infections or deaths in several weeks. Chinese blue-chips added 0.69%. Hong Kong's Hang Seng was an outlier, edging down 0.2%.

While most regional indexes were up on Monday, sentiment was fragile as monetary and fiscal help for the U.S. economy remained elusive. U.S. Treasury Secretary Steven Mnuchin said on Thursday that key pandemic lending programs at the Federal Reserve would expire on Dec. 31, putting the outgoing Trump administration at odds with the central bank and potentially adding stress to the economy. "Discussion is only beginning and may take some time if the recent partisan disagreements over the composition and magnitude of fiscal spending are any indication," analysts at ANZ said in a note.

U.S. e-mini futures for the S&P 500 were 0.26% higher at 3,563 on Monday after U.S. shares slumped on Friday on a combination of dwindling aid for the U.S. economy and rising novel coronavirus infection rates. The Dow Jones Industrial Average dropped 0.75%, the S&P 500 fell 0.68% and the Nasdaq Composite ended down 0.42%.

In currency markets, a rise in the safe-haven yen underscored nagging investor concerns. The dollar softened 0.1% to 103.75 while the euro gained 0.14% on the day to \$1.1870. The dollar index, which tracks the greenback against a basket of six major rivals, nudged down to 92.255.

U.S. crude eased less than 0.1% to \$42.40 per barrel and global benchmark Brent crude rose 0.18% to \$45.04 per barrel. Spot gold added 0.06% to \$1,871.69 per ounce.

Domestic Markets

South Africa's rand firmed slightly on Friday, buoyed by global vaccine news, but investors were cautious ahead of credit rating reviews expected later in the day.

At 1530 GMT, the rand was roughly 0.1% stronger at 15.3675 per dollar, lifted after Pfizer said it had applied for emergency use authorisation in the United States for its COVID-19 vaccine.

Later on Friday, S&P Global and Moody's may publish updated assessments of South Africa's creditworthiness.

The rand hardly budged on Thursday after the central bank kept rates on hold at 3.5%, in line with market expectations. Analysts said the prospect of ratings updates were keeping investors cautious.

"Should these two ratings agencies provide an update today, which they are in no way obligated to (do) with a postponement also an attractive option to them, it is unlikely to be ZAR-bullish," economists at ETM Analytics said in a note.

The two agencies, along with the other "big three" firm Fitch, already have South Africa's debt at sub-investment grade, or "junk" status. "Both agencies have fired warning shots in recent months, suggesting Finance Minister Tito Mboweni's MTBPS (budget speech) did little to persuade them that SA is on the path to fiscal salvation," ETM analysts wrote.

Bonds were a touch firmer. The yield on the benchmark 2030 government issue was down 1 basis points to 8.830%.

The Johannesburg Stock Exchange (JSE) treaded a cautious path as well with the main indices slightly down in a broad-based slump in share prices of companies across sectors. The benchmark all-share index was down 0.24% to 56,615 points, ending the week lower. The bluechip top 40 companies index closed down 0.12% to 51,915 points. The banks were once again the biggest losers with the index down almost 3%. The index, which represents the top six banks of the country, has lost over 6.5% in last seven trading sessions.

Downgrades

South Africa's finance ministry said on Saturday credit ratings downgrades by Moody's and Fitch would increase the country's borrowing costs and constrain its fiscal options. "The decision by Fitch and Moody's ... is a painful one," Tito Mboweni, minister of finance, said in a statement. There is an urgent need for government to implement structural economic reforms to avoid further harm to the country's sovereign rating, he said.

Credit rating agencies Fitch and Moody's lowered South Africa's sovereign ratings deeper into junk territory late on Friday on rising debt and a likely further weakening in its fiscal position. S&P Global affirmed its rating.

With the COVID-19 pandemic worsening, South Africa's tax revenue is falling as the economy contracts, while spending to contain the spread of the virus and cushion its impact on the poor has increased. At last month's mid-term budget, the National Treasury forecast South Africa would record a budget deficit of over 15% of GDP in the fiscal year ending March 2021, the highest in post-apartheid history. Africa's most industrialised nation currently has a debt of nearly 4 trillion rand (\$260 billion), or 63.3% of the GDP. Its debt-to-GDP ratio is expected to swell to over 90% in three years, the worst such increase in the world.

With the ratings downgrade, the cost of borrowing and servicing the debt will increase and the government will either have to cut back on social spending or tax more, the National Treasury said, at a time when almost a third of the population is unemployed.

"Continuous rating downgrades will translate to unaffordable debt costs, deteriorating asset values (such as retirement, other savings and property) and reduction in disposable income for many," it said, referring to the impact on South Africans. Market reaction to the downgrades are likely to be muted, said Razia Khan, chief economist for Africa and Middle East at Standard Chartered Bank. "Reform momentum (of government) is looking more positive near term," she said, but cautioned it is fraught with challenges.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES				
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	58,412,781	44,059	1,387,036	37,611,119

The number of new cases might be misleading. It depends on actual "cut-off" times. Over the weekend as whole it seems there were 1.5m new cases globally.

Security is mostly a superstition. It does not exist in nature, nor do the children of men as a whole experience it. Avoiding danger is no safer in the long run than outright exposure. Life is either a daring adventure, or nothing.

Helen Keller

Market Overview

MARKET INDICATORS (Thomson Reuters)		23 November 2020			
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↑	3.87	0.008	3.86	3.87
6 months	↑	3.99	0.042	3.95	3.99
9 months	↑	4.03	0.066	3.97	4.03
12 months	↑	4.03	0.075	3.95	4.03
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	↑	4.04	0.030	4.01	3.98
GC22 (Coupon 8.75%, BMK R2023)	↑	4.86	0.025	4.84	4.86
GC23 (Coupon 8.85%, BMK R2023)	↑	4.76	0.025	4.74	4.76
GC24 (Coupon 10.50%, BMK R186)	↓	7.24	-0.035	7.28	7.25
GC25 (Coupon 8.50%, BMK R186)	↓	7.25	-0.035	7.29	7.26
GC26 (Coupon 8.50%, BMK R186)	↓	7.25	-0.035	7.29	7.26
GC27 (Coupon 8.00%, BMK R186)	↓	7.54	-0.035	7.58	7.55
GC30 (Coupon 8.00%, BMK R2030)	↓	9.13	-0.010	9.14	9.13
GC32 (Coupon 9.00%, BMK R213)	↓	10.26	-0.030	10.29	10.26
GC35 (Coupon 9.50%, BMK R209)	↓	11.26	-0.045	11.30	11.26
GC37 (Coupon 9.50%, BMK R2037)	↓	11.99	-0.050	12.04	11.99
GC40 (Coupon 9.80%, BMK R214)	↓	12.65	-0.085	12.73	12.65
GC43 (Coupon 10.00%, BMK R2044)	↓	13.13	-0.105	13.23	13.13
GC45 (Coupon 9.85%, BMK R2044)	↓	13.41	-0.105	13.51	13.41
GC50 (Coupon 10.25%, BMK: R2048)	↓	13.45	-0.080	13.53	13.44
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	⇒	4.49	0.000	4.49	4.49
GI25 (Coupon 3.80%, BMK NCPI)	⇒	4.25	0.000	4.25	4.25
GI29 (Coupon 4.50%, BMK NCPI)	⇒	4.41	0.000	4.41	4.41
GI33 (Coupon 4.50%, BMK NCPI)	⇒	6.66	0.000	6.66	6.66
GI36 (Coupon 4.80%, BMK NCPI)	⇒	7.02	0.000	7.02	7.02
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,870	0.17%	1,867	1,873
Platinum	↓	946	-0.58%	951	948
Brent Crude	↑	45.0	1.72%	44.2	45.2
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,149	-1.43%	1,166	1,149
JSE All Share	↓	56,615	-0.24%	56,753	56,615
SP500	↓	3,558	-0.68%	3,582	3,558
FTSE 100	↑	6,351	0.27%	6,334	6,351
Hangseng	↑	26,452	0.36%	26,357	26,447
DAX	↑	13,137	0.39%	13,086	13,137
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	11,268	-2.23%	11,525	11,268
Resources	↓	51,439	-0.02%	51,451	51,439
Industrials	↑	78,747	0.33%	78,491	78,747
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	15.41	0.01%	15.41	15.35
N\$/Pound	↑	20.47	0.16%	20.44	20.45
N\$/Euro	↓	18.27	-0.16%	18.30	18.23
US dollar/ Euro	↓	1.185	-0.17%	1.187	1.188
		Namibia		RSA	
Interest Rates & Inflation		Oct 20	Sep 20	Oct 20	Sep 20
Central Bank Rate	⇒	3.75	3.75	3.50	3.50
Prime Rate	⇒	7.50	7.50	7.00	7.00
		Oct 20	Sep 20	Sep 20	Aug 20
Inflation	↓	2.3	2.4	3.0	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



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