

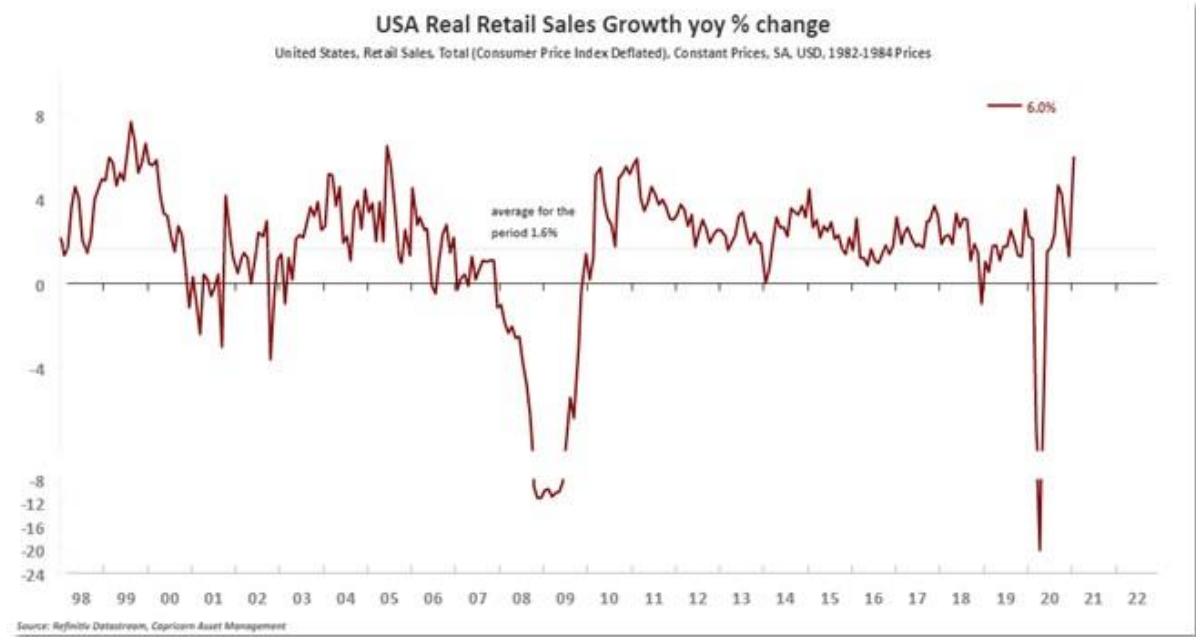


The Daily Brief

Capricorn Asset Management

Market Update

Wednesday, 24 February 2021



Global Markets

Bond markets steadied, the U.S. dollar fell and stocks edged ahead on Wednesday after central banks from Washington to Wellington vowed to keep monetary policy loose for a long time, giving investors enough confidence to seek out riskier assets.

U.S. Federal Reserve Chair Jerome Powell told Congress on Tuesday the economy remained "a long way" from employment and inflation goals and that rates would stay low and bond buying proceed apace until there was "substantial further progress". The Reserve Bank of New Zealand on Wednesday made no changes to its rates or bond purchase programme either and said policy will need to remain stimulatory until inflation is sustained at 2% and employment hits maximum levels.

Taken together, it was enough to reassure investors that authorities won't rush to raise rates even if inflation accelerates. Risk-sensitive currencies rose, pushing the kiwi, Aussie and sterling to their highest levels since early 2018, while the safe-haven Japanese yen slipped.

MSCI's broadest index of Asia-Pacific shares outside Japan, which has drifted 1.2% lower over the week as rising yields pressured valuations, rose 0.3% and S&P 500 futures rose 0.1%. Tech stock selling pushed Japan's Nikkei 0.4% lower.

Benchmark 10-year U.S. Treasury yields, which fall when prices rise, were steady at 1.3480% after closing 2.4 basis points lower following Powell's testimony to Congress. Powell did not seem too fussed about the selloff that has driven the 10-year yield up by 40 basis points this year, telling lawmakers it was a statement on the market's confidence in the pandemic recovery.

But he cautioned that was a ways off and said markets would get plenty of warning about any future policy adjustments. His comments reversed a morning sell off on Wall Street, and the S&P 500 closed 0.1% higher, although the Nasdaq, full of growth stocks more sensitive to higher yields, finished Tuesday down 0.5%

"The overall takeaway from Powell is that over the next couple of months he will just keep singing the same dovish commitment song," said Edward Moya, senior market analyst at OANDA in New York. "Until we see more than half of the 10 million jobs come back, Powell won't change his tune."

Elsewhere commodity prices eased a little after hefty gains in recent days and benchmark Brent crude oil futures fell 0.5% to \$65.01 a barrel. U.S. crude futures traded 0.8% lower at \$61.19 a barrel.

In currency markets, the Australian dollar hit a three-year high of \$0.7945 and the New Zealand dollar made the same milestone, reaching \$0.7378. Sterling, which has been boosted by Britain's vaccine rollout, briefly leapt as high as \$1.4295, its best since April 2018. Cryptocurrency bitcoin nursed losses at \$49,700 after a two-day selloff.

Domestic Markets

The South African rand gained sharply on Tuesday afternoon after Federal Reserve Chair Jerome Powell said the U.S. economy needed support for "some time," comments that hurt the dollar.

The prospect of ongoing support by the central bank of the world's largest economy is positive for emerging markets like South Africa.

The rand reacted little to data from Statistics South Africa showing the official unemployment rate rose to 32.5% in the fourth quarter of last year, up from 30.8% in the previous three months.

At 1540 GMT, the rand traded at 14.5750 against the dollar, almost 0.8% firmer than its previous close.

On Wednesday, market attention will turn to the state of South Africa's public finances when Finance Minister Tito Mboweni delivers his budget speech in parliament.

A Reuters poll published last week showed South Africa's fiscal deficit is expected to narrow this year because of an economic rebound, but the long-term trend of higher debt remains unchanged due to the COVID-19 pandemic and pressures like loss-making state-owned enterprises.

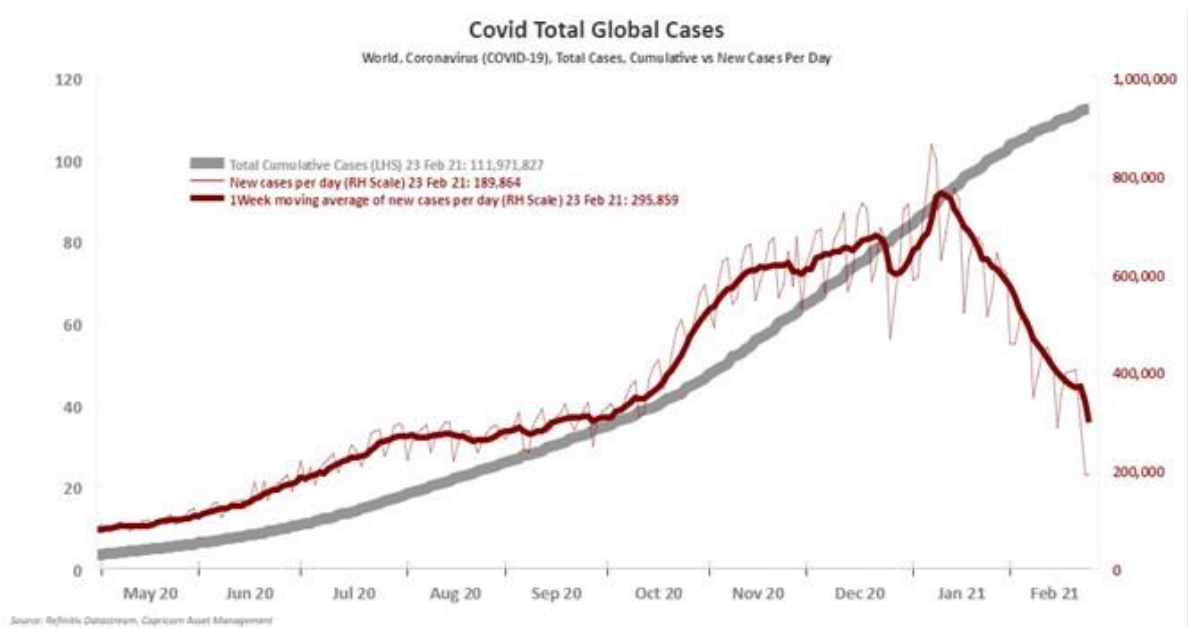
Stocks fell on the Johannesburg bourse on Tuesday, mirroring falls elsewhere in global equities before Powell spoke. The Top-40 index ended down 2.3% at 60,494 points, while the All-share index fell 2.1% to 65,922 points.

Corona Tracker

GLOBAL CASES		23-Feb-2021		1:03
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	111,781,963	294,237	2,579,088	73,909,790

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

Source: Thomson Reuters



Character cannot be developed in ease and quiet. Only through experience of trial and suffering can the soul be strengthened, ambition inspired, and success achieved.

Helen Keller

Market Overview

MARKET INDICATORS (Thomson Reuters)		24 February 2021			
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	➡	4.16	0.000	4.16	4.16
6 months	➡	4.54	0.000	4.54	4.54
9 months	➡	4.62	0.000	4.62	4.62
12 months	⬆	4.75	0.008	4.74	4.75
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	➡	4.38	0.000	4.38	4.38
GC22 (Coupon 8.75%, BMK R2023)	⬆	5.76	0.050	5.71	5.79
GC23 (Coupon 8.85%, BMK R2023)	⬆	5.66	0.050	5.61	5.69
GC24 (Coupon 10.50%, BMK R186)	⬇	7.42	-0.085	7.50	7.38
GC25 (Coupon 8.50%, BMK R186)	⬇	7.43	-0.085	7.51	7.39
GC26 (Coupon 8.50%, BMK R186)	⬇	7.43	-0.085	7.51	7.39
GC27 (Coupon 8.00%, BMK R186)	⬇	7.72	-0.085	7.80	7.68
GC30 (Coupon 8.00%, BMK R2030)	⬇	9.15	-0.140	9.29	9.11
GC32 (Coupon 9.00%, BMK R213)	⬇	10.27	-0.125	10.39	10.21
GC35 (Coupon 9.50%, BMK R209)	⬇	11.26	-0.165	11.42	11.20
GC37 (Coupon 9.50%, BMK R2037)	⬇	11.82	-0.165	11.99	11.76
GC40 (Coupon 9.80%, BMK R214)	⬇	12.61	-0.160	12.77	12.56
GC43 (Coupon 10.00%, BMK R2044)	⬇	12.93	-0.190	13.12	12.88
GC45 (Coupon 9.85%, BMK R2044)	⬇	13.21	-0.190	13.40	13.16
GC50 (Coupon 10.25%, BMK: R2048)	⬇	13.24	-0.185	13.42	13.18
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
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	0.000	5.69	5.69
GI33 (Coupon 4.50%, BMK NCPI)	➡	6.80	0.000	6.80	6.80
GI36 (Coupon 4.80%, BMK NCPI)	➡	7.35	0.000	7.35	7.35
Commodities		Last close	Change	Prev close	Current Spot
Gold	⬇	1,805	-0.20%	1,809	1,809
Platinum	⬇	1,237	-2.78%	1,272	1,245
Brent Crude	⬆	65.4	0.20%	65.2	65.0
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬇	1,333	-1.18%	1,349	1,333
JSE All Share	⬇	65,922	-2.14%	67,363	65,922
SP500	⬆	3,881	0.13%	3,877	3,881
FTSE 100	⬆	6,626	0.21%	6,612	6,626
Hangseng	⬆	30,633	1.03%	30,320	29,822
DAX	⬇	13,865	-0.61%	13,950	13,865
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬇	12,234	-1.21%	12,384	12,234
Resources	⬇	66,149	-2.06%	67,542	66,149
Industrials	⬇	86,641	-2.65%	89,001	86,641
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬇	14.53	-0.92%	14.67	14.58
N\$/Pound	⬇	20.51	-0.58%	20.63	20.64
N\$/Euro	⬇	17.66	-0.96%	17.83	17.71
US dollar/ Euro	⬇	1.215	-0.04%	1.215	1.215
		Namibia		RSA	
Interest Rates & Inflation		Dec 20	Nov 20	Dec 20	Nov 20
Central Bank Rate	➡	3.75	3.75	3.50	3.50
Prime Rate	➡	7.50	7.50	7.00	7.00
		Jan 21	Dec 20	Jan 21	Dec 20
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

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