

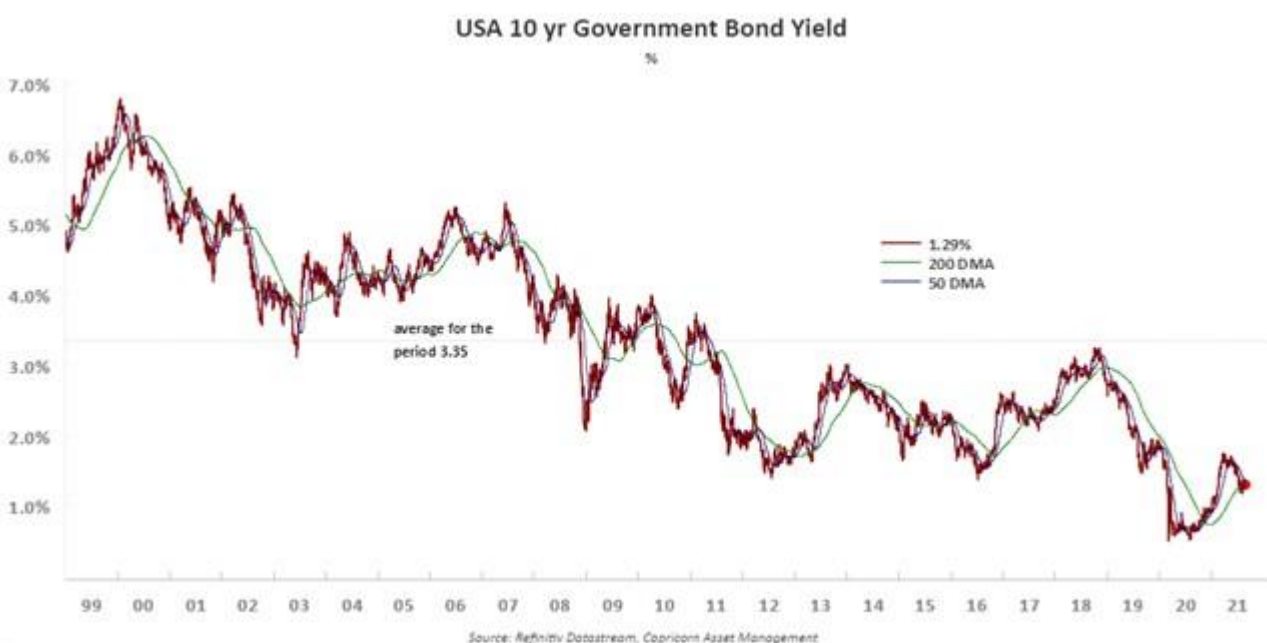


The Daily Brief

 Capricorn Asset Management

Market Update

Wednesday, 25 August 2021



Global Markets

Shares held onto their recent gains on Wednesday after last week's pummeling, as global equities rebounded thanks to a combination of positive COVID-19 vaccine news and easing worries over tapering of Federal Reserve stimulus.

MSCI's broadest index of Asia-Pacific shares outside Japan was last off slightly, but still up 3.7% so far this week. The index fell to its lowest in 2021 at the end of the previous week. Markets were mixed with Australian shares gaining 0.16%, but Chinese blue chips losing 0.24%. Japan's Nikkei were flat. A Reuters poll of analysts and fund managers showed Japanese shares are expected to recover from their eight-month low marked on Friday to near a 30-year high by the end of this year.

Asia was anchored by overnight gains in all three major U.S. stock indexes, with the Nasdaq and S&P 500 closing at all-time closing highs, the S&P 500's 50th record high close this year.

Investors continue to fret over spiking COVID-19 infections caused by the highly contagious Delta variant, but the U.S. Food and Drug Administration granted full approval on Monday to the COVID-19 vaccine developed by Pfizer Inc, raising hopes inoculations could accelerate.

The Hong Kong benchmark jumped nearly 1% on opening but was last down 0.5%, after posting its best day in a month the day before as the market pulled further away from last week's finish of its lowest close for this year. The Hang Seng TECH Index rose soon after the bell gaining over 3%, building on this week's strong gains as investors piled into oversold stocks, but later gave up those gains to trade flat.

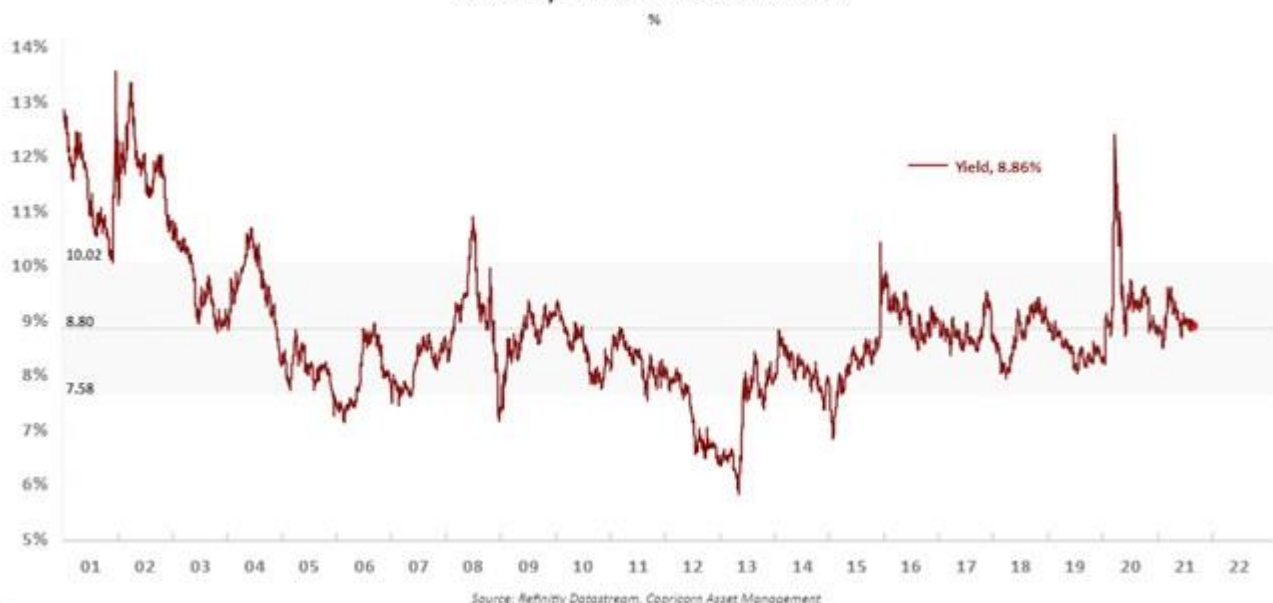
"It's been a fairly obvious trade to go back to neutral particularly on stocks that have been oversold," said Rob Munford, a Hong Kong based investment manager at GAM Investments. "How it progresses from here, I don't think is as much about China and Asia but what the U.S. does. If it's a benign scenario out of Jackson Hole I think you'll definitely see China mean revert," he said.

On Friday, the Federal Reserve will have its annual economic symposium, traditionally held at Jackson Hole, though this year it will take place virtually due to the spread of COVID-19 in the county. The focus remains squarely on Fed Chair Jerome Powell's remarks at the event for any clues regarding the timeline for Fed's tapering of asset purchases, an issue that has buffeted financial markets in recent months. The yield on the benchmark 10-year Treasury notes rose to 1.3019%, their highest since Aug.13.

The improved risk sentiment kept the dollar under pressure, leaving it hobbled near a one-week low versus major peers on Wednesday. Commodity currencies like the Australian and New Zealand dollars have made solid headway this week. "If Powell speaks about the policy outlook and more specifically, hints at the time and/or pace of tapering, the USD could get a boost in our view," wrote analysts at CBA in a note. "In the meantime, the USD will remain guided by broader market mood."

U.S. crude dipped 0.25% to \$67.37 a barrel, while Brent crude fell 0.38% to \$70.92 per barrel - both are up around 8% on the week, however, after posting their biggest weekly decline in more than nine months last week. Safe haven gold fell in tandem with the broad increase in risk appetite, with the spot price dropping 0.4% to \$1,796.03 per ounce.

RSA 10 yr Government Bond Yield



Domestic Markets

South Africa's rand firmed on Tuesday, overlooking data showing the unemployment rate struck a record high in the second quarter, as the currency benefited from improved risk appetite in global markets.

At 1505 GMT, the rand traded at 14.9900 against the dollar, 0.91% stronger than its previous close and adding to gains made on Monday. The rand was supported as risk appetite in global markets lifted broadly, with the dollar holding steady near the previous session's five-day low.

Risk-related currencies also benefited from rising commodity prices. South Africa is the world's biggest producer of platinum and chrome and a leading producer of gold and diamonds.

The rand's gains were despite data showing headline unemployment hit a record high of 34.4% in the second quarter as businesses shed staff due to the devastating economic impact of COVID-19.

Market attention globally is focused on the Jackson Hole conference on Friday, at which some investors expect U.S. Federal Reserve Chair Jerome Powell to give hints on a possible timeline for tapering of monetary stimulus.

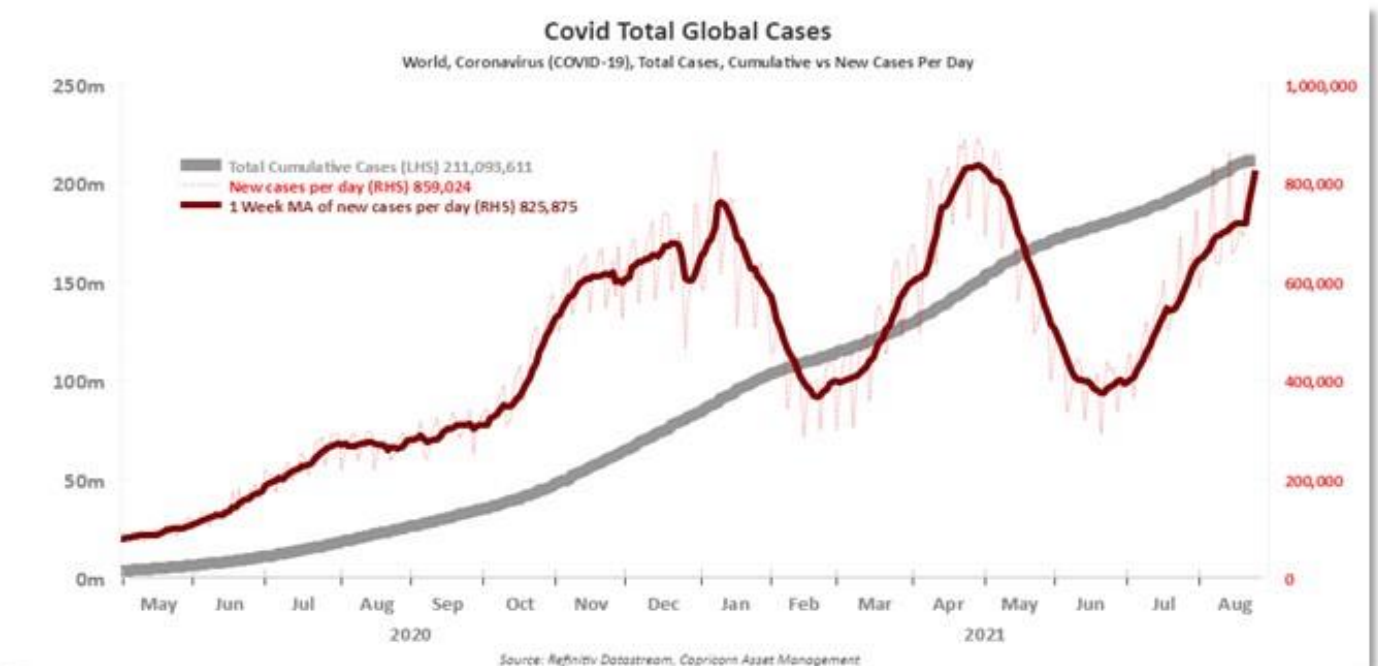
"Although markets are expecting more details around QE tapering, other factors such as a less hawkish stance from (Fed member Robert Kaplan), weaker than forecasted U.S. Manufacturing PMI data, as well as the rebound in commodities, all allowed for a 'risk-on' mood," said DailyFX analyst Warren Venketas.

Stocks on the Johannesburg Stock Exchange (JSE) continued their positive run on Tuesday as a resurgence of coronavirus cases across the globe kept in check investor worries of tapering by the Federal Reserve on Friday. The blue-chip top-40 companies index closed up 1.02% at 61,180 points and the all-share index closed up 0.93% at 67,452 points.

The market rally, which saw the indexes making up on some of their heavy losses seen last week, was led by South African banks and industrials. Naspers and its subsidiary Prosus, index heavyweights, gained more than 3%, pushing the industrials index up by 1.11%. Petrochemicals major Sasol Ltd closed up over 6% on rising crude oil prices.

South African government bonds were a touch stronger, with the yield on the 2030 instrument dipping 1.5 basis point to 8.865%.

Corona Tracker



Source: Thomson Reuters Refinitiv

Everything that we see is a shadow cast by that which we do not see.

Martin Luther King, Jr.

Market Overview

MARKET INDICATORS (Thomson Reuters)				25 August 2021	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↓	4.17	-0.030	4.20	4.17
6 months	↔	4.86	0.000	4.86	4.86
9 months	↓	5.19	-0.010	5.20	5.19
12 months	↔	5.36	0.000	5.36	5.36
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	↓	4.23	-0.015	4.24	4.23
GC22 (Coupon 8.75%, BMK R2023)	↓	5.65	-0.015	5.66	5.65
GC23 (Coupon 8.85%, BMK R2023)	↓	5.55	-0.015	5.56	5.55
GC24 (Coupon 10.50%, BMK R186)	↓	7.60	-0.025	7.63	7.61
GC25 (Coupon 8.50%, BMK R186)	↓	7.61	-0.025	7.64	7.62
GC26 (Coupon 8.50%, BMK R186)	↓	7.61	-0.025	7.64	7.62
GC27 (Coupon 8.00%, BMK R186)	↓	7.90	-0.025	7.93	7.91
GC30 (Coupon 8.00%, BMK R2030)	↓	9.16	-0.020	9.18	9.17
GC32 (Coupon 9.00%, BMK R213)	↓	10.16	-0.030	10.19	10.17
GC35 (Coupon 9.50%, BMK R209)	↓	11.07	-0.040	11.11	11.09
GC37 (Coupon 9.50%, BMK R2037)	↓	11.54	-0.045	11.59	11.55
GC40 (Coupon 9.80%, BMK R214)	↓	12.38	-0.045	12.42	12.39
GC43 (Coupon 10.00%, BMK R2044)	↓	12.61	-0.050	12.66	12.62
GC45 (Coupon 9.85%, BMK R2044)	↓	12.89	-0.050	12.94	12.90
GC48 (Coupon 10.00%, BMK R2048)	↓	12.98	-0.045	13.02	12.99
GC50 (Coupon 10.25%, BMK: R2048)	↓	12.92	-0.045	12.96	12.93
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	↓	1,803	-0.14%	1,805	1,796
Platinum	↓	1,011	-0.18%	1,013	999
Brent Crude	↑	71.1	3.35%	68.8	70.9
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,506	1.08%	1,490	1,506
JSE All Share	↑	67,452	0.93%	66,829	67,452
SP500	↑	4,486	0.15%	4,480	4,486
FTSE 100	↑	7,126	0.24%	7,109	7,126
Hangseng	↑	25,728	2.46%	25,110	25,709
DAX	↑	15,906	0.33%	15,853	15,906
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	14,198	0.78%	14,088	14,198
Resources	↑	67,130	0.93%	66,515	67,130
Industrials	↑	83,927	1.11%	83,009	83,927
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	14.98	-0.88%	15.11	15.01
N\$/Pound	↓	20.56	-0.81%	20.73	20.59
N\$/Euro	↓	17.61	-0.80%	17.75	17.62
US dollar/ Euro	↑	1.175	0.09%	1.174	1.174
		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

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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