



## The Daily Brief

 Capricorn Asset Management

**Market Update**

**Monday, 26 April 2021**



## Global Markets

Asian stocks rose on Monday with Chinese shares near three-week highs as signs the world economic recovery was well on track bolstered risk appetite, while the U.S. dollar slipped to a two-month low.

MSCI's broadest index of Asia-Pacific shares outside Japan jumped 0.3% to surpass critical chart resistance of 700 points and reach its highest since March 18. The index has had a strong run lately as it clocked its second consecutive weekly rise on Friday and was on track for another month of gains. Since April 2020, the index has offered positive returns in all but three months.

Chinese shares were firm with the blue-chip CSI 300 index up 0.4% to its highest since Apr. 6. South Korea's KOSPI index rose 0.4% while New Zealand shares added 0.6%. Japan's Nikkei reversed early losses to be up 0.1% while Australia's benchmark share index was off a touch with a public holiday in five of the country's eight states and territories.

Risk appetite was whetted by early April manufacturing activity indicators out last week, which pointed to a robust start to the second-quarter with data hitting record highs in the United States and signalling an end to Europe's double dip recession. Investors embraced the strong data,

shrugging off earlier concerns about potential higher U.S. taxes on capital gains under the Biden administration.

On Friday, U.S. shares ended firmer with the S&P 500 hitting a record intraday peak to end 1.1% higher. The Dow rose 0.7% while the Nasdaq Composite added 1.4%. E-mini futures for the S&P 500 gave up early losses to be flat on Monday.

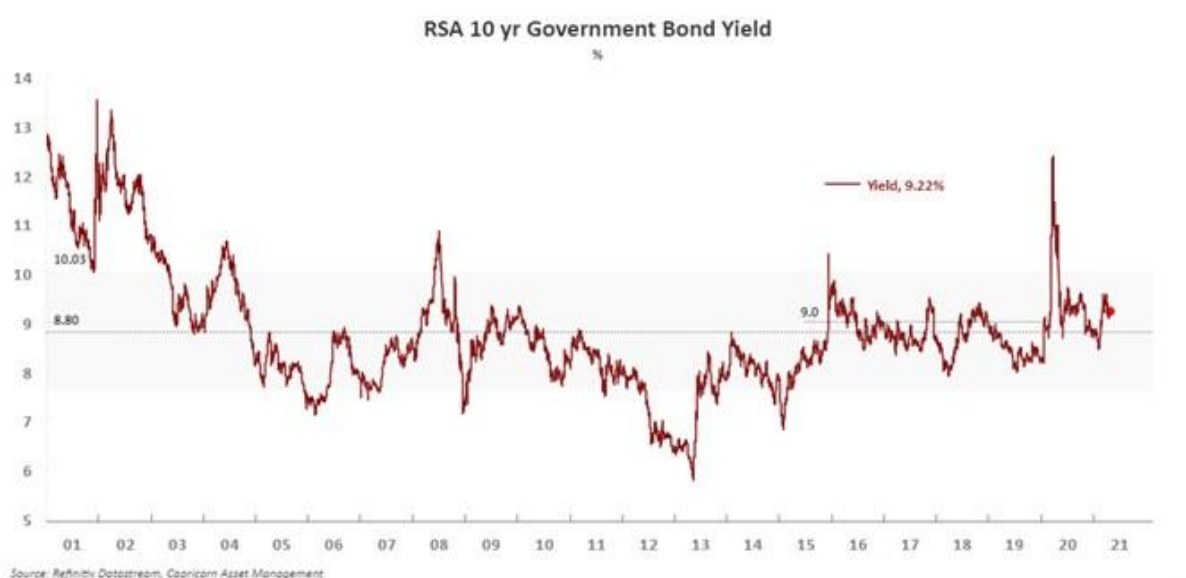
First-quarter U.S. gross domestic product data is due later in the week with expectations activity will have likely returned to pre-pandemic levels. "We estimate that the economy will close the output gap and rise above potential in the second half of this year," ANZ economists wrote in a morning note, suggesting more upside for shares. Europe "cannot match this, but as 2021 progresses into 2022, the growth differential to the U.S. will narrow."

That said, some economists say the market could hit a soft patch in coming months reflecting concerns ranging from rising COVID-19 cases and worries that most of the benefits from massive fiscal stimulus have already been priced in. "Stated differently, this may be the last quarter where companies can avoid being penalized for not seeing revenue recover quickly and/or not giving guidance," JPMorgan analysts wrote in a note. They said the "bull case" for equities would be supported by reopening from coronavirus lockdowns, consumer spending and corporate earnings combined with reduced market volatility.

The "bear case", on the other hand, would be triggered by inflation, delays to re-opening, weaker economic growth and corporate profits and a commodity recession. Strong recent data meant bonds were sold off, though 10-year U.S. Treasury yields were not far from a recent six-week low on expectations the U.S. Federal Reserve will stay accommodative at its meeting this week.

In currencies, Turkey's lira edged lower adding to a recent slide and nearing an all-time low as a chill settled on relations with the United States and after the new central bank chief signalled that rate hikes would harm the economy. The U.S. dollar's index slipped to 90.739 against a basket of major currencies, a level not seen since March 3. The greenback was a shade weaker on the safe-haven Japanese yen at 107.76. The euro rose 0.1% at \$1.2105. The risk sensitive Australian dollar stayed trapped in a narrow band to be last at \$0.7762.

In commodities, U.S. crude rose 4 cents to \$62.18 per barrel and Brent was flat at \$66.11. Gold climbed 0.1% to \$1,778.92 an ounce.



## Domestic Markets

South Africa's rand inched firmer on Friday as the U.S. dollar traded near multi-week lows, after a directionless week in which it took its cues from moves on global markets. At 1500 GMT, the rand traded at 14.3075 versus the dollar, roughly 0.07% stronger than its previous close.

The rand has by far outperformed its emerging market peers, with gains of around 3% year-to-date against the greenback, owing largely to the high real yield, or carry, on the currency that is a function of low inflation and high risk premium.

Higher commodity prices have also cushioned demand for the currency against rising U.S. Treasury yields and some indications that lending rates there and in the euro zone are on their way up.

"Apart from commodity prices, the rand's outperformance can be attributed to the elevated FX swap basis, which, from a currency perspective, is equivalent to about a 100bp hike in the repo rate," said currency analyst at RMB, Kim Silberman.

"To put the relationship between commodity prices and the rand into perspective, our 2Q21 USD/ZAR fair value estimate has strengthened from 16.80 in June 2020 to 14.00 currently, due almost exclusively to the recovery in commodity prices," she said.

Government bonds dipped, as the yield on the 2030 instrument rose 3.5 basis points to 9.16%.

In the equities market, stocks rose, led by property firms with the index up 2.47% as investors placed hopes on the progress of COVID-19 vaccinations at home and abroad, as it means people may start to frequent malls and offices more often.

Among the gainers were MAS Real Estate Inc up 4.85%, Vukile Property Fund up 4.37%, EPP N.V. up 3.92%, Attacq Ltd up 3.68%, Investec Property Fund up 3.31% and Arrowhead Properties up 3.30%. "EPP should largely be explained by Poland's improving COVID-19 numbers and vaccination rates," said Reitway Global Chief Investment Officer Garreth Elston. "The South African names are most likely a continuing result of economic normalisation, and that our vaccination drive should start kicking into gear and moving South Africa out of the COVID-19 malaise as the vaccination timetable is now clearer."

The Johannesburg All-Share index and the Top-40 index both closed 0.48% firmer.

## Corona Tracker

GLOBAL CASES				
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	146,714,863	579,489	3,242,965	97,259,744

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

Source: Thomson Reuters

It isn't what you have, or who you are, or where you are,  
or what you are doing that makes you happy or unhappy.  
It is what you think about.

Dale Carnegie

## Market Overview

MARKET INDICATORS (Thomson Reuters)				26 April 2021	
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	↔	4.20	0.000	4.20	4.20
6 months	↔	4.41	0.000	4.41	4.41
9 months	↔	4.71	0.000	4.71	4.71
12 months	↓	4.74	-0.010	4.75	4.74
<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)	↑	4.04	0.015	4.02	4.04
GC22 (Coupon 8.75%, BMK R2023)	↑	5.38	0.025	5.35	5.37
GC23 (Coupon 8.85%, BMK R2023)	↑	5.28	0.025	5.25	5.27
GC24 (Coupon 10.50%, BMK R186)	↑	7.61	0.040	7.57	7.57
GC25 (Coupon 8.50%, BMK R186)	↑	7.62	0.040	7.58	7.58
GC26 (Coupon 8.50%, BMK R186)	↑	7.62	0.040	7.58	7.58
GC27 (Coupon 8.00%, BMK R186)	↑	7.91	0.040	7.87	7.87
GC30 (Coupon 8.00%, BMK R2030)	↑	9.52	0.090	9.43	9.48
GC32 (Coupon 9.00%, BMK R213)	↑	10.59	0.095	10.49	10.55
GC35 (Coupon 9.50%, BMK R209)	↑	11.63	0.145	11.48	11.60
GC37 (Coupon 9.50%, BMK R2037)	↑	12.11	0.145	11.96	12.09
GC40 (Coupon 9.80%, BMK R214)	↑	12.88	0.130	12.75	12.85
GC43 (Coupon 10.00%, BMK R2044)	↑	13.20	0.150	13.05	13.17
GC45 (Coupon 9.85%, BMK R2044)	↑	13.48	0.150	13.33	13.45
GC50 (Coupon 10.25%, BMK: R2048)	↑	13.49	0.150	13.34	13.46
<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)	↔	3.89	0.000	3.89	3.89
GI25 (Coupon 3.80%, BMK NCPI)	↔	4.00	0.000	4.00	4.00
GI29 (Coupon 4.50%, BMK NCPI)	↓	5.65	-0.040	5.69	5.65
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
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↓	1,777	-0.38%	1,784	1,780
Platinum	↑	1,230	2.18%	1,203	1,231
Brent Crude	↑	66.1	1.09%	65.4	65.9
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	↑	1,366	0.66%	1,357	1,366
JSE All Share	↑	67,296	0.48%	66,972	67,296
SP500	↑	4,180	1.09%	4,135	4,180
FTSE 100	↑	6,939	0.00%	6,938	6,939
Hangseng	↑	29,079	1.12%	28,755	29,102
DAX	↓	15,280	-0.27%	15,321	15,280
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↑	12,120	0.20%	12,096	12,120
Resources	↑	69,231	0.89%	68,622	69,231
Industrials	↑	86,986	0.20%	86,814	86,986
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↓	14.27	-0.17%	14.29	14.26
N\$/Pound	↑	19.80	0.11%	19.78	19.81
N\$/Euro	↑	17.26	0.52%	17.17	17.26
US dollar/ Euro	↑	1.210	0.70%	1.202	1.211
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>Apr 21</b>	<b>Mar 21</b>	<b>Apr 21</b>	<b>Mar 21</b>
Central Bank Rate	↔	3.75	3.75	3.50	3.50
Prime Rate	↔	7.50	7.50	7.00	7.00
		<b>Mar 21</b>	<b>Feb 21</b>	<b>Mar 21</b>	<b>Feb 21</b>
Inflation	↑	3.1	2.7	3.2	2.9

**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 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: Thomson Reuters



---

**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**

---