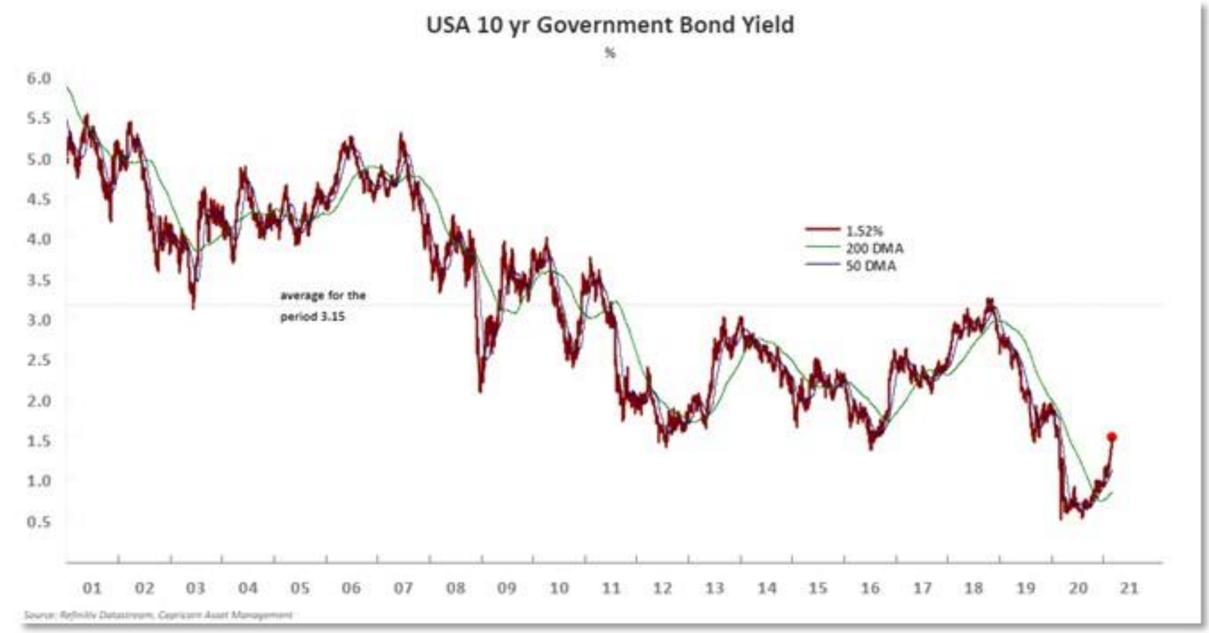
Market Update — Friday, 26 February 2021



Global Markets

Stocks skidded to one-month lows on Friday as a rout in global bond markets sent yields flying and spooked investors amid fears the heavy losses suffered could trigger distressed selling in other assets.

The scale of the selloff prompted Australia's central bank to launch a surprise bond buying operation to try and staunch the bleeding, helping yields there come off early peaks. Yields on the 10-year Treasury note eased back to 1.494% from a one-year high of 1.614%, but were still up a startling 40 basis points for the month in the biggest move since 2016.

"The fixed income rout is shifting into a more lethal phase for risky assets," says Damien McCologh, Westpac's head of rates strategy. "The rise in yields has long been mostly seen as a story of improving growth expectations, if anything padding risky assets, but the overnight move notably included a steep lift in real rates and a bringing forward of Fed lift-off expectations."

Markets were hedging the risk of an earlier rate hike from the Federal Reserve, even though officials this week vowed any move was long in the future. Fed fund futures are now almost fully priced for a rise to 0.25% by January 2023, while Eurodollars have it discounted for June 2022.

Even the thought of an eventual end to super-cheap money sent shivers through global stock markets which have been regularly hitting record highs and stretching valuations. MSCI's broadest index of Asia-Pacific shares outside Japan slid 2.4% to a one-month low, while Japan's Nikkei shed 2.5%. Chinese blue chips joined the retreat with a drop of 2.5%. NASDAQ futures fell 0.5% after a sharp drop overnight, while S&P 500 futures eased 0.1%. EUROSTOXX 50 futures lost 1.2% and FTSE futures 1.1%.

Overnight, the Dow had shed 1.75%, while the S&P 500 lost 2.45% and the Nasdaq 3.52%, the biggest decline in almost four months for the tech-heavy index. Tech darlings all suffered, with Apple Inc, Tesla Inc, Amazon.com Inc, NVIDIA Corp and Microsoft Corp the biggest drags.

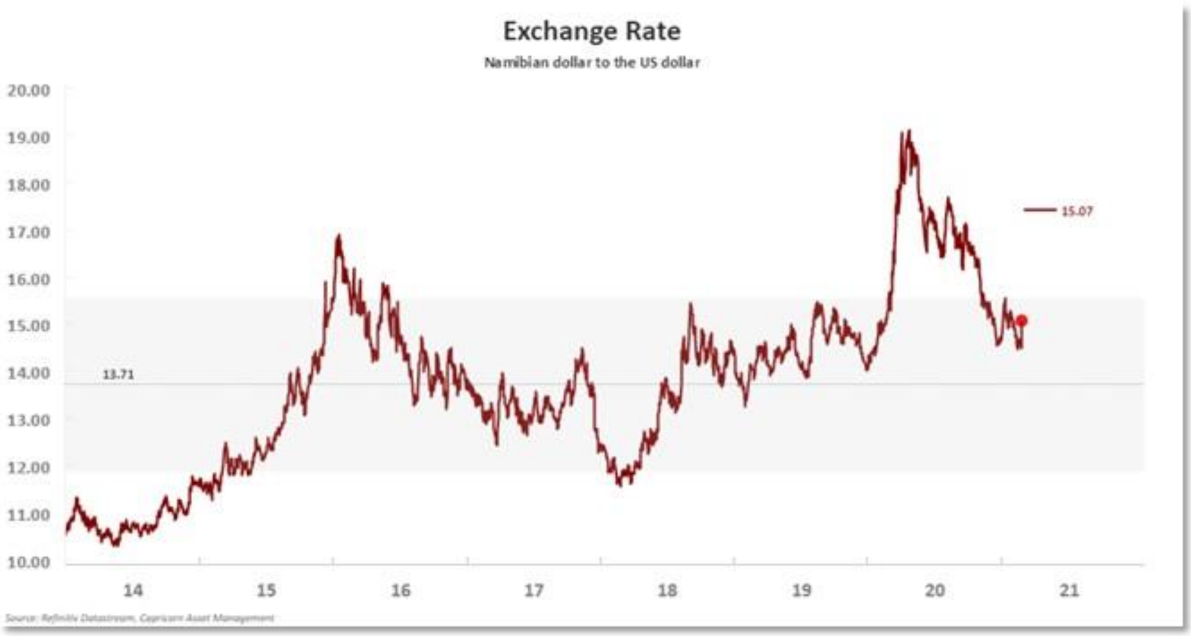
All of that elevated the importance of U.S. personal consumption data due later on Friday, which includes one of the Fed's favoured inflation measures. Core inflation is actually expected to dip to 1.4% in January which could help calm market angst, but any upside surprise would likely accelerate the bond rout.

The surge in Treasury yields also caused ructions in emerging markets, which feared the better returns on offer in the United States might attract funds away. Currencies favoured for leveraged carry trades all suffered, including the Brazil real, Turkish lira and South African rand.

The flows helped nudge the U.S. dollar up more broadly, with the dollar index rising to 90.360. It also gained on the low-yielding yen, briefly reaching the highest since September at 106.42. The euro eased a touch to $1.2152. The jump in yields has tarnished gold, which offers no fixed return, and dragged it down to $1,767 an ounce from the week's high around $1,815.

However, analysts at ANZ were more bullish on the outlook. "We now expect U.S. inflation to hit 2.5% this year," they said in a note. "Combined with further depreciation in the U.S. dollar, we see gold's fair value at $2,000/oz in the second half of the year."

Oil prices held near 13-month highs, with profit-taking limited by a sharp drop in U.S. crude output last week due to the winter storm in Texas. U.S. crude fell 44 cents to $63.08 per barrel and Brent lost 33 cents to $66.55.



Domestic Markets

South Africa's rand fell on Thursday, giving up the previous session's gains when Finance Minister Tito Mboweni's budget speech reassured some investors the country could avoid a full-scale fiscal crisis.

At 1735 GMT, the rand was 2.38% weaker at 14.8450 per dollar, far off the 13-month high of 14.3950 it hit on Wednesday. Government bonds also weakened and the yield on the instrument due in 2030 jumped 18 basis points to 9.0%.

Mboweni announced up to 19.3 billion rand ($1.31 billion) of spending on coronavirus vaccines and forecast a deficit of 14% of gross domestic product this fiscal year, while repeating promises to cut expenditure.

The Treasury also announced a steep reduction in debt issuance in the local market after leaning heavily on investors for short-term cash in 2020 to fund the revenue shortfall triggered by COVID-19. But not all investors were enthusiastic about the economic recovery path painted by the budget.

Fitch, one of three major credit ratings firms to rank South Africa in sub investment, said the country still faced "severe challenges" to implementing fiscal consolidation. "The more favourable projections mean that further rating downgrades might be off the agenda for now. It is impossible to overlook though that public finances remain extremely difficult not least due to the weak growth prospects," said Commerzbank's FX and EM analyst Elisabeth Andreae.

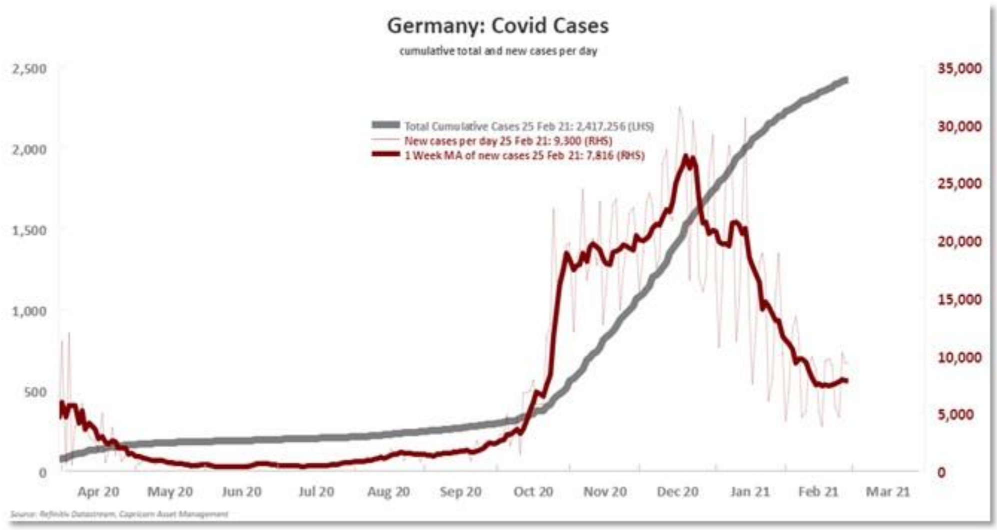
Stocks closed higher, led by miners. Johannesburg-listed shares of Anglo American rose 7.3% after the company beat forecasts with a small fall in 2020 earnings and boosted its dividend. Shares in Impala Platinum (Implats) were up 7.16% after it said it was looking to boost its output after posting a four-fold jump in half-year profits and raising its interim dividend. The Top-40 index rose 2.17% to 62,063 and the broader all-share closed 1.94% higher at 67,483.

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		26-Feb-2021		5:32
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	112,786,618	198,177	2,606,272	74,690,440

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

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)					26 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	0.008	4.53	4.54
9 months	➔	4.62	0.000	4.62	4.62
12 months	➔	4.75	0.000	4.75	4.75
Nominal Bond Yields %		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC21 (Coupon 7.75%, BMK R208)	↓	4.35	-0.030	4.38	4.35
GC22 (Coupon 8.75%, BMK R2023)	↑	5.99	0.135	5.85	5.96
GC23 (Coupon 8.85%, BMK R2023)	↑	5.89	0.135	5.75	5.86
GC24 (Coupon 10.50%, BMK R186)	↑	7.61	0.135	7.48	7.71
GC25 (Coupon 8.50%, BMK R186)	↑	7.62	0.135	7.49	7.72
GC26 (Coupon 8.50%, BMK R186)	↑	7.62	0.135	7.49	7.72
GC27 (Coupon 8.00%, BMK R186)	↑	7.91	0.135	7.78	8.01
GC30 (Coupon 8.00%, BMK R2030)	↑	9.31	0.155	9.15	9.43
GC32 (Coupon 9.00%, BMK R213)	↑	10.38	0.135	10.24	10.49
GC35 (Coupon 9.50%, BMK R209)	↑	11.26	0.140	11.12	11.37
GC37 (Coupon 9.50%, BMK R2037)	↓	11.81	-0.035	11.84	11.91
GC40 (Coupon 9.80%, BMK R214)	↑	12.61	0.020	12.59	12.72
GC43 (Coupon 10.00%, BMK R2044)	↑	12.93	0.110	12.82	13.04
GC45 (Coupon 9.85%, BMK R2044)	↑	13.21	0.110	13.10	13.32
GC50 (Coupon 10.25%, BMK: R2048)	↑	13.24	0.125	13.11	13.34
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	↓	1,770	-1.91%	1,804	1,760
Platinum	↓	1,216	-4.12%	1,269	1,209
Brent Crude	↓	66.9	-0.24%	67.0	66.0
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	↑	1,390	3.03%	1,349	1,390
JSE All Share	↑	67,484	1.94%	66,201	67,484
SP500	↓	3,829	-2.45%	3,925	3,829
FTSE 100	↓	6,652	-0.11%	6,659	6,652
Hangseng	↑	30,074	1.20%	29,718	29,128
DAX	↓	13,879	-0.69%	13,976	13,879
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	↓	12,334	-0.17%	12,355	12,334
Resources	↑	70,372	5.45%	66,735	70,372
Industrials	↑	86,844	0.34%	86,550	86,844
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	↑	15.01	3.56%	14.49	15.06
N$/Pound	↑	21.03	2.67%	20.49	21.01
N$/Euro	↑	18.28	3.69%	17.62	18.30
US dollar/ Euro	↑	1.218	0.10%	1.216	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

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