

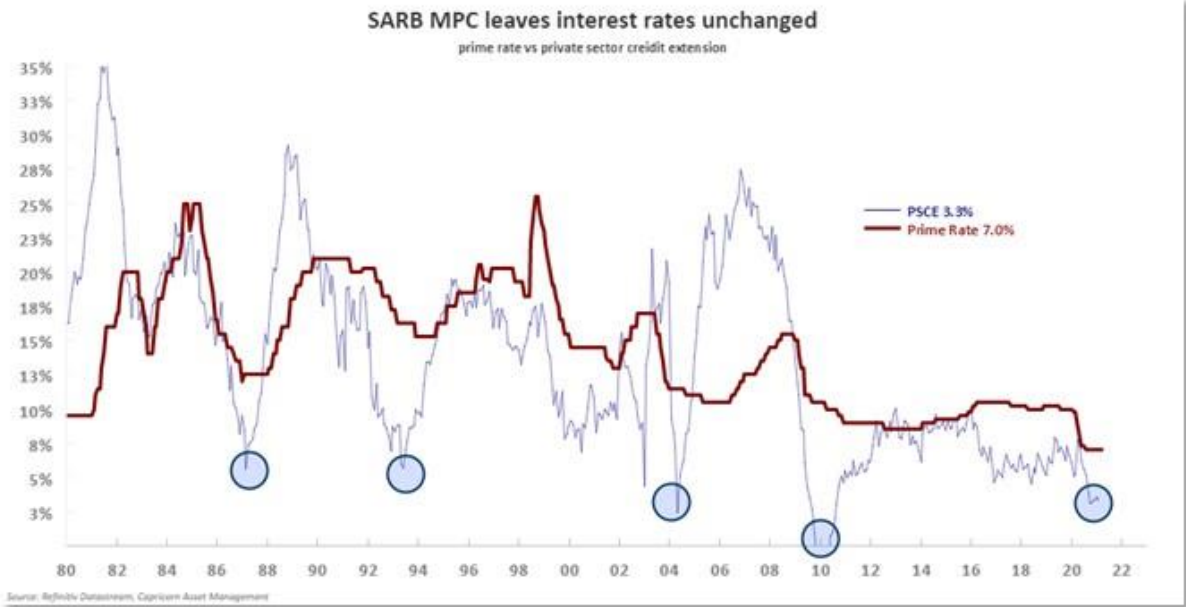


The Daily Brief

Capricorn Asset Management

Market Update

Friday, 26 March 2021



Global Markets

Shares bounced back from a three-month low on Friday thanks to a late-day rally on Wall Street as optimism about the global economic recovery was overshadowed by rising tensions between the West and China.

MSCI's ex-Japan Asia index rose 0.37% after hitting a near three-month low on Thursday, while the Shanghai Composite Index gained 0.78%, snapping a three-day losing streak. "Recent falls in Chinese shares have been worrying but there's no change in the fact the Chinese economy is recovering," said Yasutada Suzuki, head of emerging market investment at Sumitomo Mitsui Bank.

On Thursday, Chinese shares fell near to a three-month low hit earlier in the month. The European Union joined Washington's allies this week in imposing sanctions on officials in China's Xinjiang region over allegations of human rights abuses, prompting retaliatory sanctions from Beijing. "All the sanctions so far have been largely symbolic and should have little economic impact. But the Sino-U.S. confrontation is affecting market sentiment. It could take some time for them to come to any compromise," Suzuki added.

Japan's Nikkei rose 0.89% after Wall Street shares staged a rally, driven by cheap, cyclical stocks that have been battered by the pandemic. The Dow Jones Industrial Average rose 0.62% and the S&P 500 gained 0.52% while the Nasdaq Composite added just 0.12%.

Analysts said trading was being driven more by an end-of-quarter rebalancing of investment portfolios by institutional investors rather than news flow, though they noted overnight headlines were mostly supportive for stocks.

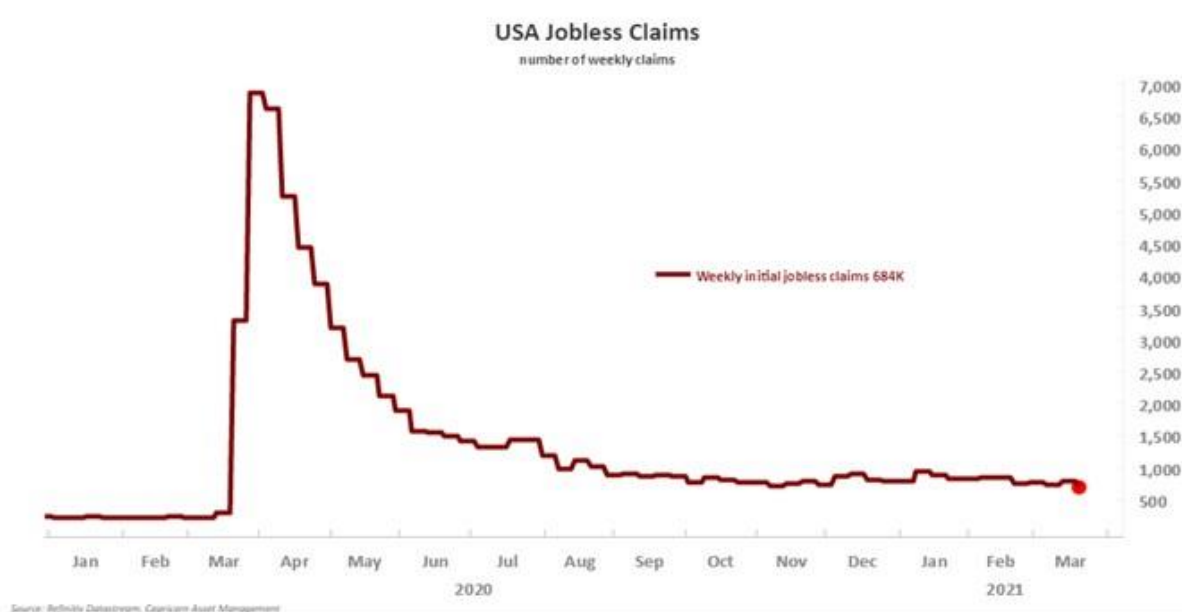
U.S. Labour Department data showed claims for unemployment benefits dropped to a one-year low last week, a sign that the U.S. economy is on the verge of stronger growth as the public health situation improves. In his first formal news conference, U.S. President Joe Biden said that he would double his administration's vaccination rollout plan after reaching the previous goal of 100 million shots 42 days ahead of schedule. But while improvement in the U.S. health crisis has underpinned risk appetite globally, investors are increasingly alarmed by a divergence in health conditions.

"Vaccination in continental Europe is falling behind the schedule. Relative to the U.S., economic reopenings will likely be delayed as some countries are forced to impose lockdowns," said Soichiro Matsumoto, chief investment officer, Japan, at Credit Suisse's private banking unit in Tokyo.

That put pressure on the euro, which licked its wounds at \$1.1780 after falling as low as \$1.1762 overnight, its lowest levels since November. The dollar also rose to 109.17 yen, within a striking distance from last week's nine-month high of 109.365 yen. The index of the U.S. currency stood near its highest level since mid-November, having gained 2.0% so far this month.

"The dollar is absolutely critical," said James Athey, investment director at Aberdeen Standard Investments in London. "If the dollar starts rallying, that becomes a problem. It means commodity weakness and emerging market weakness and it starts to provide a disinflationary countervailing narrative."

Oil prices rebounded a tad from a 4% drop on Thursday, though they are on course for their third straight week of losses on worries about a further reduction in demand. In addition to Europe, major developing economies such as Brazil and India are also struggling with a resurgence in COVID-19 cases. The market still drew some support from concerns about supply disruption as a stranded container ship in the Suez Canal may block the vital shipping lane for weeks. U.S. crude was last up 0.99% at \$59.14 per barrel and Brent was at \$62.44, up 0.79%.



Domestic Markets

South Africa's rand slipped to a two-week low on Thursday after the central bank kept lending rates unchanged despite a wave of rate increases by other emerging markets. At 1540 GMT, the rand traded at 15.0500 against the dollar, 0.47% weaker than its previous close. The currency dipped to a session low 15.0875 after the Reserve Bank's (SARB) decision, which while in line with consensus was more dovish in tone than expected.

Governor Lesetja Kganyago seemed to play down the impact of the volatility caused by rising U.S. bond yields, according to analysts, pushing out the timing of policy normalisation, or tightening, to as far as 2022.

"While market inflation concerns have spiked, the SARB doesn't seem overly concerned that a sustained episode of surging inflation is ahead of us," said economists at ETM Analytics in a note. "We do see some risk of policy normalisation towards the back end of the year. That said, the degree of policy normalisation is expected to be more moderate than the market is currently pricing in."

South Africa's consumer inflation rate slowed to 2.9% in February, its lowest in eight months and below the central bank's target range of between 3% and 6%. The bank said it sees inflation averaging 4.3% in 2021, up from January's forecast of 4%.

Stocks fell overall in a volatile session, with the morning's strong opening losing steam. Local shares did recover slightly before the closing bell after the central bank decision. The benchmark all-share index ended 0.73% lower at 64,784 points while the blue-chip top 40 companies index slipped 0.82% to 59,279 points. The main indexes are now back to levels seen in the beginning of February, after scaling an all-time high in the first week of March.

Analysts have said rising treasury yields in the United States are a signal that inflation is going to rise in the coming months, spooking investors and forcing many to book profits. Inflation erodes the value of returns made by investors on their investments.

The recent fall has also been exacerbated by rising cases of COVID-19 in Germany and France and fears of a third wave locally.

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		26-Mar-2021		3:56
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	125,116,693	286,894	2,875,357	82,856,090

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

Source: Thomson Reuters

Market Overview

MARKET INDICATORS (Thomson Reuters)				26 March 2021	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	➡	4.21	0.000	4.21	4.21
6 months	➡	4.69	0.000	4.69	4.47
9 months	➡	4.88	0.000	4.88	4.83
12 months	➡	5.06	0.000	5.06	5.06
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	⬇	4.15	-0.001	4.15	4.15
GC22 (Coupon 8.75%, BMK R2023)	⬇	6.04	-0.025	6.06	6.09
GC23 (Coupon 8.85%, BMK R2023)	⬇	5.94	-0.025	5.96	5.99
GC24 (Coupon 10.50%, BMK R186)	⬆	7.85	0.085	7.77	7.86
GC25 (Coupon 8.50%, BMK R186)	⬆	7.86	0.085	7.78	7.87
GC26 (Coupon 8.50%, BMK R186)	⬆	7.86	0.085	7.78	7.87
GC27 (Coupon 8.00%, BMK R186)	⬆	8.15	0.085	8.07	8.16
GC30 (Coupon 8.00%, BMK R2030)	⬆	9.84	0.095	9.74	9.84
GC32 (Coupon 9.00%, BMK R213)	⬆	10.92	0.105	10.82	10.93
GC35 (Coupon 9.50%, BMK R209)	⬆	11.96	0.100	11.86	11.97
GC37 (Coupon 9.50%, BMK R2037)	⬆	12.53	0.100	12.43	12.53
GC40 (Coupon 9.80%, BMK R214)	⬆	13.25	0.105	13.14	13.25
GC43 (Coupon 10.00%, BMK R2044)	⬆	13.57	0.105	13.47	13.58
GC45 (Coupon 9.85%, BMK R2044)	⬆	13.85	0.105	13.75	13.86
GC50 (Coupon 10.25%, BMK: R2048)	⬆	13.87	0.105	13.77	13.88
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	➡	3.89	0.000	3.89	3.89
GI25 (Coupon 3.80%, BMK NCPI)	➡	4.05	0.000	4.05	4.05
GI29 (Coupon 4.50%, BMK NCPI)	➡	5.73	0.000	5.73	5.73
GI33 (Coupon 4.50%, BMK NCPI)	➡	6.79	0.000	6.79	6.79
GI36 (Coupon 4.80%, BMK NCPI)	➡	7.35	0.000	7.35	7.35
Commodities		Last close	Change	Prev close	Current Spot
Gold	⬇	1,727	-0.42%	1,734	1,728
Platinum	⬇	1,147	-1.74%	1,168	1,159
Brent Crude	⬇	62.0	-3.82%	64.4	62.6
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬇	1,290	-1.28%	1,307	1,290
JSE All Share	⬇	64,784	-0.73%	65,257	64,784
SP500	⬆	3,910	0.52%	3,889	3,910
FTSE 100	⬇	6,675	-0.57%	6,713	6,675
Hangseng	⬇	27,900	-0.07%	27,918	28,371
DAX	⬆	14,621	0.08%	14,610	14,621
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬇	11,846	-0.76%	11,937	11,846
Resources	⬇	64,297	-1.03%	64,969	64,297
Industrials	⬇	85,982	-0.69%	86,580	85,982
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬆	15.01	0.27%	14.97	14.96
N\$/Pound	⬆	20.61	0.63%	20.49	20.59
N\$/Euro	⬇	17.66	-0.14%	17.68	17.62
US dollar/ Euro	⬇	1.176	-0.41%	1.181	1.178
		Namibia		RSA	
Interest Rates & Inflation		Mar 21	Feb 21	Mar 21	Feb 21
Central Bank Rate	➡	3.75	3.75	3.50	3.50
Prime Rate	➡	7.50	7.50	7.00	7.00
		Feb 21	Jan 21	Feb 21	Jan 21
Inflation	➡	2.7	2.7	2.9	3.2

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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