



Market Update

Wednesday, 27 January 2021



Global Markets

Equities slipped on Wednesday as investors looked to the Federal Reserve's guidance on its monetary policy while futures for U.S. tech shares jumped after strong earnings from Microsoft.

MSCI's gauge of Asian ex-Japan shares slipped 0.3%, dragged lower by profit-taking in resource shares as some investors have grown wary of stretched valuations. But Japan's Nikkei rose 0.2% and the region's tech-heavy markets, such as South Korea and Taiwan eked out small gains, helped by 0.5% rises in Nasdaq futures after Microsoft's brisk quarterly results.

Microsoft shares rose 4% in extended trading after its Azure cloud computing services grew more 50%. The results boosted optimism for other U.S. tech giants, including Apple and Facebook, which announce quarterly results later in the day. "Microsoft's earnings were superb, even compared with strong market expectations," said Norihiro Fujito, chief investment strategist at Mitsubishi UFJ Morgan Stanley Securities. "Those tech firm shares have been in a bit of the doldrums since August but they are likely to lead the market again, given their solid outlook," he said.

At their peak in August, the combined market capitalisation of the top five biggest U.S. tech companies, which also include Amazon and Alphabet, reached 24.6% of the U.S. blue chip S&P500 index. It stood at 22.7%, still well above 15% two years ago.

S&P500 futures were mostly flat, capped by caution ahead of the Fed's policy meeting as well as profit-taking on cyclical shares after stellar gains this month. The S&P500 is now trading at 22.7 times its expected earnings, near its September peak of 23.1 times, which was its most inflated level since the dotcom bubble in 2000.

The U.S. Federal Reserve is due to announce results of its two-day policy meeting on Wednesday. Analysts expect the Fed to stick to its dovish tone to help speed the economic recovery. U.S. stimulus talks are also in focus with U.S. Senate Majority Leader Chuck Schumer saying Democrats will move forward on President Joe Biden's \$1.9 trillion coronavirus relief plan without Republican support if necessary.

Benchmark 10-year notes were yielding 1.040%, having hit a three-week low of 1.028% on Tuesday on rising speculation Biden may have to scale back and possibly delay his ambitious stimulus plan.

The U.S. dollar was little moved as investors awaited the Fed's decision for clues on whether they should buy riskier currencies. The dollar index flirted with this week's low at 90.211, while the euro held firm at \$1.2162. Sterling rose 0.1% to \$1.3735, its highest level since May 2018 while the Japanese yen edged back slightly to 103.71 per dollar after a small gain the previous day. The Australian dollar was little changed at \$0.7744, showing muted response to stronger-than-expected local inflation data.

Oil prices were supported by economic optimism, with U.S. crude futures trading up 0.3% at \$52.79 per barrel.

The International Monetary Fund raised its forecast for global growth in 2021, as widely expected, and many investors expect the global economic recovery from the pandemic-driven downturn to continue.

Domestic Markets

South Africa's rand firmed by more than 1% on Tuesday in a return of risk appetite globally as investors continued to weigh the benefits of fiscal stimulus and coronavirus vaccine rollouts over concerns about second and third wave infections.

At 1500 GMT the rand was 1.15% firmer at 15.0450 per dollar, from an opening level of 15.2425.

The South African currency, along with fellow emerging market currencies, were boosted by a weaker dollar, which was down 0.2% in the session.

Optimism over a fiscal stimulus plan by the United States has spurred risk-taking in recent weeks, although that enthusiasm has been subdued in recent sessions by rising COVID-19 infections in major economies.

South Africa's still high yield, after the central bank narrowly decided against lowering lending rates last week, has partly shielded the rand from the country's slow progress in securing vaccines.

South Africa, which has recorded more than 1.4 million COVID-19 cases and 41,000 deaths, the continent's most infections by far, has yet to receive its first coronavirus vaccine doses.

Bonds edged weaker, with the yield on the benchmark 2030 paper up 2 basis points to 8.780%.

In the equities market, however, stocks retreated from record highs as investors focused more on potential obstacles to U.S. President Joe Biden's planned \$1.9 trillion stimulus weighed on sentiment.

The Johannesburg All-Share index fell 0.99% to 63,923 points after hitting an all-time high of 65,346 points in the previous session, while the Top-40 index declined 1.16% to 58,720 points from a record high of 60,264 points.

"Markets were expecting that the Democrats will act promptly to get the huge stimulus bill passed by Congress," Milan Cutkovic, market analyst at AxiCorp, said in a note. "However, the negotiations could last several weeks and market participants have started to realize that the package faces significant obstacles."

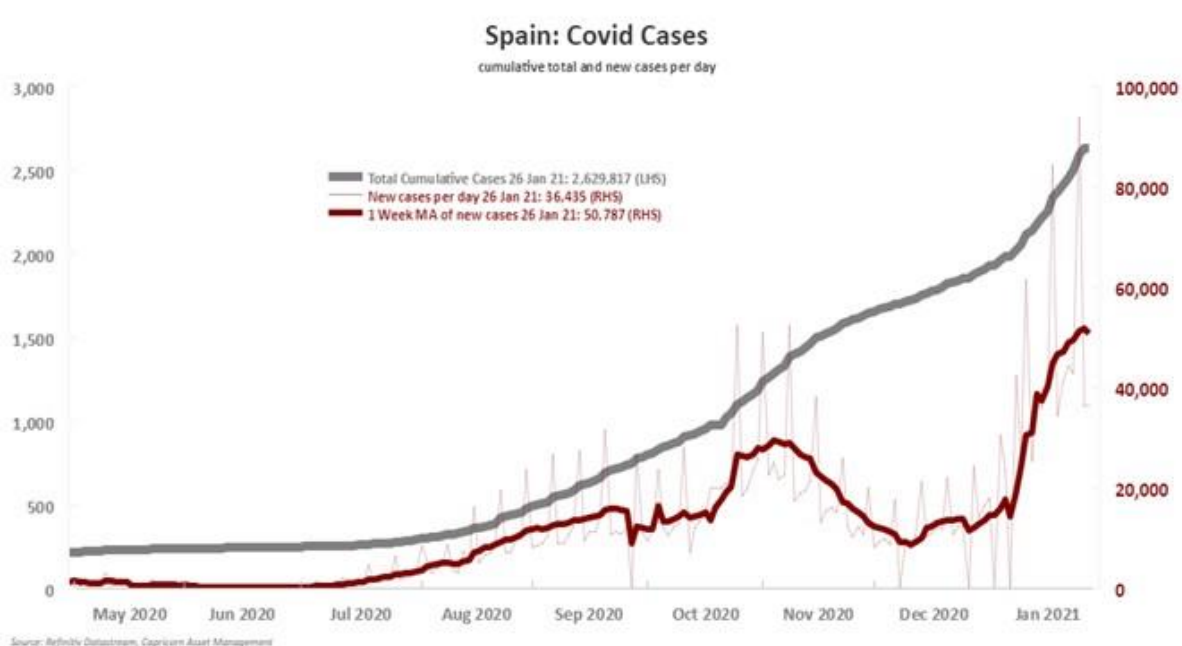
Among the decliners, market heavyweights media and internet company Naspers declined 4.96% while its international arm Prosus retreated from a record high, falling 5.21%. Prosus holds a third of Chinese tech giant Tencent, which fell 6.26%.

Corona Tracker

GLOBAL CASES		27-Jan-2021		3:18
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	99,767,317	239,566	2,147,545	63,878,750

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

Source: Thomson Reuters



One reason so few of us achieve what we truly want is that we never direct our focus; we never concentrate our power. Most people dabble their way through life, never deciding to master anything in particular.

Tony Robbins

Market Overview

MARKET INDICATORS (Thomson Reuters)		27 January 2021			
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↔	4.16	0.000	4.16	4.16
6 months	↔	4.47	0.000	4.47	4.47
9 months	↑	4.55	0.017	4.53	4.55
12 months	↑	4.60	0.033	4.56	4.60
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	↑	4.35	0.015	4.34	4.35
GC22 (Coupon 8.75%, BMK R2023)	↑	5.24	0.055	5.19	5.24
GC23 (Coupon 8.85%, BMK R2023)	↑	5.14	0.055	5.09	5.14
GC24 (Coupon 10.50%, BMK R186)	↑	6.99	0.010	6.98	6.99
GC25 (Coupon 8.50%, BMK R186)	↑	7.00	0.010	6.99	7.00
GC26 (Coupon 8.50%, BMK R186)	↑	7.00	0.010	6.99	7.00
GC27 (Coupon 8.00%, BMK R186)	↑	7.29	0.010	7.28	7.29
GC30 (Coupon 8.00%, BMK R2030)	↓	9.08	-0.020	9.10	9.08
GC32 (Coupon 9.00%, BMK R213)	↓	10.19	-0.015	10.21	10.19
GC35 (Coupon 9.50%, BMK R209)	↓	11.33	-0.050	11.38	11.33
GC37 (Coupon 9.50%, BMK R2037)	↓	11.88	-0.045	11.93	11.88
GC40 (Coupon 9.80%, BMK R214)	↓	12.61	-0.050	12.66	12.61
GC43 (Coupon 10.00%, BMK R2044)	↓	12.94	-0.055	13.00	12.94
GC45 (Coupon 9.85%, BMK R2044)	↓	13.22	-0.055	13.28	13.22
GC50 (Coupon 10.25%, BMK: R2048)	↓	13.24	-0.055	13.29	13.24
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	↔	4.10	0.000	4.10	4.10
GI25 (Coupon 3.80%, BMK NCPI)	↔	4.25	0.000	4.25	4.25
GI29 (Coupon 4.50%, BMK NCPI)	↔	5.39	0.000	5.39	5.39
GI33 (Coupon 4.50%, BMK NCPI)	↔	6.83	0.000	6.83	6.83
GI36 (Coupon 4.80%, BMK NCPI)	↔	7.25	0.000	7.25	7.25
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,850	-0.25%	1,855	1,847
Platinum	↓	1,098	-0.01%	1,098	1,088
Brent Crude	↑	55.9	0.05%	55.9	56.1
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,257	0.65%	1,249	1,257
JSE All Share	↓	63,924	-0.99%	64,560	63,924
SP500	↓	3,850	-0.15%	3,855	3,850
FTSE 100	↑	6,654	0.23%	6,639	6,654
Hangseng	↓	29,391	-2.55%	30,159	29,435
DAX	↑	13,871	1.66%	13,644	13,871
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	11,739	1.64%	11,550	11,739
Resources	↓	61,914	-0.55%	62,256	61,914
Industrials	↓	86,906	-2.21%	88,869	86,906
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	15.06	-1.17%	15.23	15.08
N\$/Pound	↓	20.68	-0.71%	20.83	20.70
N\$/Euro	↓	18.31	-1.00%	18.49	18.32
US dollar/ Euro	↑	1.216	0.19%	1.214	1.216
		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
		Dec 20	Nov 20	Dec 20	Nov 20
Inflation	↑	2.4	2.2	3.1	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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