



# The Daily Brief

Capricorn Asset Management

Market Update

Thursday, 28 January 2021



## Global Markets

Shares slid on Thursday while the safe-haven dollar rallied as a sudden sell-off on Wall Street and delays with coronavirus vaccines served as an excuse to book profits on recent hefty gains.

MSCI's broadest index of Asia-Pacific shares outside Japan skidded 1.8%, with valuations looking stretched given the index had risen more than 6% just this month. Japan's Nikkei fell 1.3%, its sharpest drop since October, and Chinese blue chips lost 2.4% as liquidity tightened before the Lunar New Year holidays. South Korea eased 1.7% led by losses in Samsung after it reported earnings.

Even the tech darlings were not immune with Facebook down despite reporting earnings well above expectations. Apple Inc also handily beat forecasts, yet its shares lost 3% after the bell. There was a hint of resilience as U.S. stock futures pared steep early losses, leaving E-minis for the S&P 500 off 0.2% and NASDAQ futures 0.3%. EUROSTOXX 50 futures dipped 0.3% and FTSE futures 0.7%.

There was no obvious trigger for the rout, rather many seemed to have rushed for the exits at the same moment in a market that had been priced for perfection. Dealers said highly leveraged investors were taking profits where they could to cover losses elsewhere, leading to sharp falls in a

lot of overcrowded trades. Some pointed a finger at retail investors who had forced a massive squeeze on hedge funds with short positions in stocks such as GameStop.

GameStop and several other highly-bid stocks later retreated in extended trade after Reddit briefly restricted access to its popular WallStreetBets site. "The Reddit army should prepare for stricter rules and regulation shortly, which should kill the idea that what happened with GameStop will happen with others," said Edward Moya, a senior market analyst at OANDA.

The dogged optimism that vaccines would heal the global economy in just a few months has been strained by the outbreak of new variants and problems with the distribution of shots in the United States and Europe. Dealers noted the market had also chosen to focus more on a downbeat economic outlook from the Federal Reserve overnight than on its pledge of continued policy support.

"The Fed's acknowledgment of a slowdown in the pace of the recovery and dependency on vaccine roll out are not new news, but it does provide equity investors a bit of a reality check, pushing out the timing for recovery," said Rodrigo Catril, a senior FX strategist at NAB.

The sudden mood change saw Treasury 10-year yields drop 3 basis points overnight to 1.01%, well off the recent peak at 1.187%. The safe-haven U.S. dollar gained broadly, with its index up at 90.753 from a January low of 89.206. The dollar firmed to 104.33 yen and away from the week's trough of 103.54. The euro fell back to \$1.2090 amid reports the European Central Bank felt markets were underpricing the risk of more rate cuts. Commodity linked currencies were hit by all the economic angst, with the Australian and New Zealand dollars both shedding more than 1% overnight.

The bounce in the dollar kept gold prices soft around \$1,836 an ounce. Global demand concerns restrained oil prices despite a huge drop in U.S. crude stocks. U.S. crude fell 25 cents to \$52.60 a barrel, while Brent crude futures dropped 33 cents to \$55.48.

## **Domestic Markets**

South Africa's rand weakened on Wednesday, with caution ahead of the outcome of the U.S. Federal Reserve's monetary policy meeting for market cues and indications of rate cuts by the European Central Bank (ECB) curbing risk-taking by investors.

At 1530 GMT, the rand traded at 15.2175 against the U.S. dollar, 1.05% weaker than its previous close. The rand has in recent sessions taken direction from global market-moving events in the absence of major local data releases, although the pace of COVID-19 vaccine procurement locally remained on investors' radar.

On Wednesday the head of National Treasury said it could cost South Africa between up to 24 billion rand (\$1.6 billion) to vaccinate around 40 million people. He did not give details when this would occur.

South Africa has the highest COVID-19 cases on the continent, with more than 1.4 million confirmed infections. It also has among the slowest vaccine procurement programs among emerging nations, dampening sentiment.

Offshore, investors eyed Federal Reserve chair Jerome Powell's news conference later in the day after the U.S. central bank concludes a two-day policy meeting. Analysts expect the Fed to stick to its ultra-easy monetary policy.

Comments by the ECB in the session, that it had room to cut its deposit rate further, dimmed risk demand. That saw the U.S. dollar rise 0.55% as EM currencies backtracked.

Bonds ended a touch firmer, with the yield on the benchmark bond due in 2030 down 1.5 basis point to 8.76%.

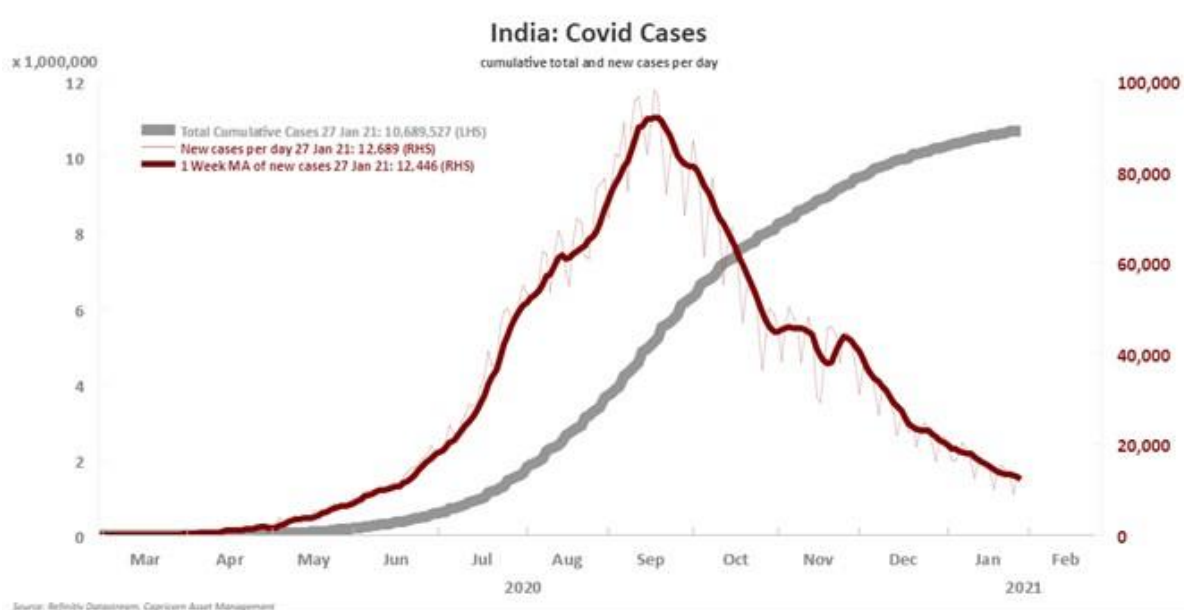
On the bourse, stocks continued their retreat from record highs reached earlier in the week. Locally listed gold shares fell 1.47% after global bullion prices were dented by a firmer dollar. The Johannesburg All-Share index fell 1.78% to 62,785 points after hitting an all-time high on Monday. The Top-40 index declined 1.83% to 57,644 points. Harmony Gold fell 2.60%, Gold Fields closed 1.88% lower, and AngloGold Ashanti ended 0.71% weaker.

## Corona Tracker

GLOBAL CASES		28-Jan-2021		5:37
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
<b>GLOBAL</b>	100,374,596	283,952	2,165,109	64,379,945

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

Source: Thomson Reuters



Either you run the day or the day runs you.

Jim Rohn



## Market Overview

MARKET INDICATORS (Thomson Reuters)		28 January 2021			
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	⇒	4.16	0.000	4.16	4.16
6 months	↑	4.47	0.008	4.47	4.47
9 months	↑	4.56	0.008	4.55	4.56
12 months	↑	4.60	0.008	4.60	4.60
<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)	⇒	4.35	0.000	4.35	4.35
GC22 (Coupon 8.75%, BMK R2023)	↑	5.25	0.010	5.24	5.25
GC23 (Coupon 8.85%, BMK R2023)	↑	5.15	0.010	5.14	5.15
GC24 (Coupon 10.50%, BMK R186)	↑	7.00	0.010	6.99	7.01
GC25 (Coupon 8.50%, BMK R186)	↑	7.01	0.010	7.00	7.02
GC26 (Coupon 8.50%, BMK R186)	↑	7.01	0.010	7.00	7.02
GC27 (Coupon 8.00%, BMK R186)	↑	7.30	0.010	7.29	7.31
GC30 (Coupon 8.00%, BMK R2030)	↓	9.06	-0.020	9.08	9.06
GC32 (Coupon 9.00%, BMK R213)	⇒	10.19	0.000	10.19	10.19
GC35 (Coupon 9.50%, BMK R209)	↓	11.32	-0.010	11.33	11.32
GC37 (Coupon 9.50%, BMK R2037)	↓	11.87	-0.010	11.88	11.87
GC40 (Coupon 9.80%, BMK R214)	⇒	12.61	0.000	12.61	12.61
GC43 (Coupon 10.00%, BMK R2044)	⇒	12.94	0.000	12.94	12.95
GC45 (Coupon 9.85%, BMK R2044)	⇒	13.22	0.000	13.22	13.23
GC50 (Coupon 10.25%, BMK: R2048)	↓	13.23	-0.005	13.24	13.24
<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)	⇒	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
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↓	1,844	-0.34%	1,850	1,836
Platinum	↓	1,066	-2.97%	1,098	1,060
Brent Crude	↓	55.8	-0.18%	55.9	55.5
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	↓	1,226	-2.45%	1,257	1,226
JSE All Share	↓	62,785	-1.78%	63,924	62,785
SP500	↓	3,751	-2.57%	3,850	3,751
FTSE 100	↓	6,567	-1.30%	6,654	6,567
Hangseng	↓	29,298	-0.32%	29,391	28,768
DAX	↓	13,620	-1.81%	13,871	13,620
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↑	11,826	0.74%	11,739	11,826
Resources	↓	59,580	-3.77%	61,914	59,580
Industrials	↓	85,837	-1.23%	86,906	85,837
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↑	15.27	1.39%	15.06	15.27
N\$/Pound	↑	20.89	1.00%	20.68	20.87
N\$/Euro	↑	18.49	0.99%	18.31	18.47
US dollar/ Euro	↓	1.211	-0.43%	1.216	1.210
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>Dec 20</b>	<b>Nov 20</b>	<b>Dec 20</b>	<b>Nov 20</b>
Central Bank Rate	⇒	3.75	3.75	3.50	3.50
Prime Rate	⇒	7.50	7.50	7.00	7.00
		<b>Dec 20</b>	<b>Nov 20</b>	<b>Dec 20</b>	<b>Nov 20</b>
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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