



The Daily Brief

 Capricorn Asset Management

Market Update

Monday, 29 March 2021



Global Markets

Share markets edged higher on Monday while oil prices slipped as the ship blocking the Suez Canal was re-floated, raising hopes the vital waterway could reopen and ease global shipping backlogs. The news added to optimism about world growth as markets look to President Joe Biden to outline his infrastructure spending plans this week, which could supercharge an already accelerating U.S. recovery.

"We expect the global economy to expand robustly at 6.4% this year, fuelled by a large U.S. fiscal stimulus, with positive spillovers for the rest of the world," said Barclays economist Christian Keller. "Rising inflation over the coming months should be transitory, and core central banks seem committed to looking through it."

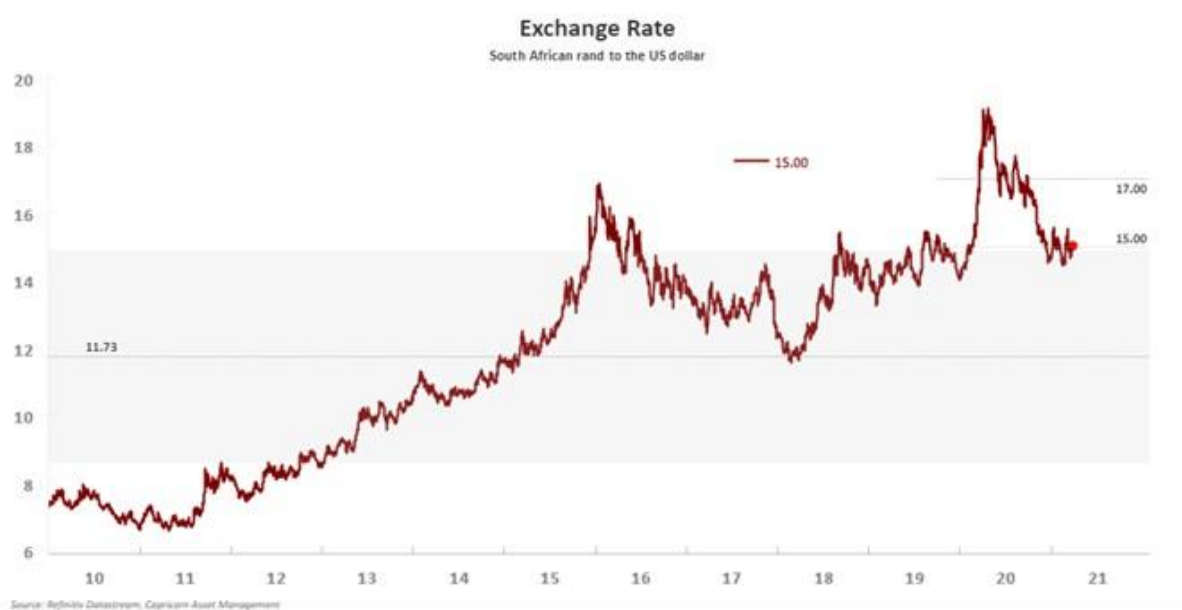
MSCI's broadest index of Asia-Pacific shares outside Japan added 0.3%, with activity restrained by the approach of quarter end. Chinese blue chips rose 0.8%. Japan's Nikkei gained 1%, though there was some nervousness when Nomura reported its U.S. unit could face a \$2 billion loss related to a client. There was also some caution after a \$20 billion wave of block trades hit markets on Friday, reportedly linked to investment fund Archegos Capital.

For now, Nasdaq futures were off 0.6% and S&P 500 futures 0.5%. EUROSTOXX 50 futures managed to rise 0.2%, while FTSE futures were flat.

The prospect of faster U.S. economic growth has spurred speculation of rising inflation and weighed on Treasury prices. Yields on U.S. 10-year notes eased a touch on Monday to 1.66%, but were still not far from the recent 13-month top of 1.754%. European yields have been restrained by active buying from the European Central Bank, widening the dollar's yield advantage over the euro. The single currency was last at \$1.1786, having hit a five-month low of \$1.1760 last week.

Analysts at TD Securities noted the euro had failed to find any benefit from a very strong German Ifo survey on Friday that showed business morale at a near two-year high and signs of recovery in the service sector. "This suggests that market positioning still remains significantly skewed toward the long side in EURUSD — even though spot has seen a meaningful decline through the 200-day moving average," they wrote in a note. "We continue to focus on downside risks from here." The dollar held at 109.50 yen, having reached its highest since early June on Friday at 109.84. The dollar index stood at 92.774, after reaching its highest since mid-November.

The lift in yields has weighed on gold, which offers no fixed return, and left it at \$1,730 an ounce. Oil prices eased as markets assumed the re-floating of the Ever Given would allow tankers to use the waterway again. There were over 300 vessels waiting to pass through the shipping route which accounts for 12% of global trade. The market will also be cautious ahead of an OPEC meeting this week, which will have to decide whether to extend supply limits, or loosen the spigots. Brent fell 90 cents to \$63.67 a barrel, while U.S. crude lost \$1.03 to \$59.94 per barrel.



Domestic Markets

The South African rand was a touch weaker on Friday, with investors still digesting the central bank's decision to keep lending rates unchanged in the face of global inflation pressures and rate hikes in other emerging markets. At 1500 GMT the rand was 0.15% weaker at 15.0300 per dollar, backtracking after some risk demand earlier in the session saw the unit touch 14.9425 before drifting above 15.00 again.

The Reserve Bank (SARB) left its repo rate at 3.5% for a fourth meeting in a row in a unanimous decision on Thursday. That knocked the rand to a two-week low and pushed up bond yields as investors saw a diminishing yield return on local assets.

"Based on the pre-MPC market positioning, which implied sooner-than-anticipated hikes, a correction in local asset prices was probable despite the SARB's dovish pronouncement," said Nema Ramkhelawan-Bhana, analyst at RMB.

While the decision was in line with most economists' expectations, a slew of rate hikes in countries such as Brazil, Russia and Turkey in response to climbing U.S. Treasury yields had raised speculation the SARB might follow suit. On Friday Governor Lesetja Kganyago again poured water on rate hikes in 2021, but added that rates could not remain at record lows indefinitely.

Bonds were firmer, with the yield on the benchmark 2030 paper down 5 basis points to 9.485%.

The major indexes on the Johannesburg Stock Exchange (JSE) jumped more than 3% after several days of falls on slow global recovery worries. But markets changed tack on Friday driven by positive news flow from the United States and a rebound of China's blue chip technology stocks.

The benchmark all-share index rose 3.16% on the day to end the week at 66,834 points, while the blue chip index closed up 3.32% at 61,244 points. "In general, if U.S. and China are good then emerging market stocks perform much better," said Peter Takaendesa, head of equities at Mergence Investment Managers.

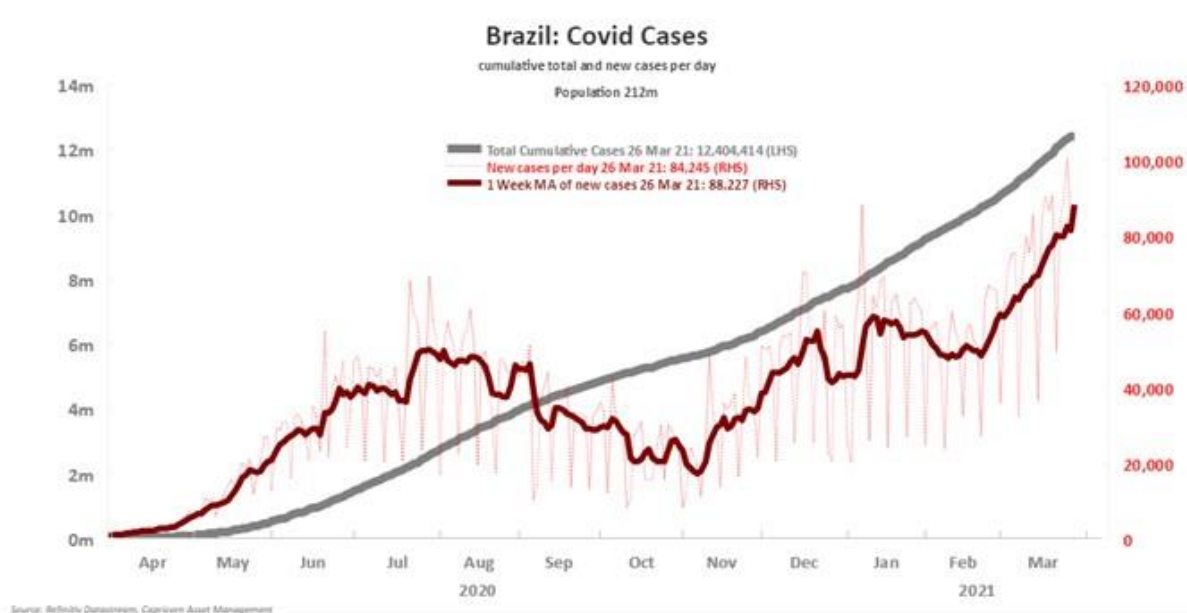
Weekly jobless claims in the United States dropped to their lowest level since the pandemic hit the country and President Joe Biden set a higher goal for vaccinating people in his first 100 days in office. "This turned the global markets overnight," Takaendesa said.

Corona Tracker

GLOBAL CASES		28-Mar-2021		17:00
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	126,773,635	111,163	2,904,831	83,748,139

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

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)				29 March 2021	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↓	4.20	-0.017	4.21	4.20
6 months	↓	4.68	-0.008	4.69	4.46
9 months	↓	4.88	-0.008	4.88	4.83
12 months	↓	5.05	-0.009	5.06	5.05
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	↑	4.44	0.291	4.15	4.44
GC22 (Coupon 8.75%, BMK R2023)	→	6.04	0.000	6.04	6.04
GC23 (Coupon 8.85%, BMK R2023)	→	5.94	0.000	5.94	5.94
GC24 (Coupon 10.50%, BMK R186)	↓	7.79	-0.065	7.85	7.79
GC25 (Coupon 8.50%, BMK R186)	↓	7.80	-0.065	7.86	7.80
GC26 (Coupon 8.50%, BMK R186)	↓	7.80	-0.065	7.86	7.80
GC27 (Coupon 8.00%, BMK R186)	↓	8.09	-0.065	8.15	8.09
GC30 (Coupon 8.00%, BMK R2030)	↓	9.79	-0.050	9.84	9.79
GC32 (Coupon 9.00%, BMK R213)	↓	10.88	-0.040	10.92	10.88
GC35 (Coupon 9.50%, BMK R209)	↓	11.93	-0.030	11.96	11.93
GC37 (Coupon 9.50%, BMK R2037)	↓	12.48	-0.045	12.53	12.48
GC40 (Coupon 9.80%, BMK R214)	↓	13.20	-0.050	13.25	13.20
GC43 (Coupon 10.00%, BMK R2044)	↓	13.52	-0.055	13.57	13.52
GC45 (Coupon 9.85%, BMK R2044)	↓	13.80	-0.055	13.85	13.80
GC50 (Coupon 10.25%, BMK: R2048)	↓	13.83	-0.045	13.87	13.83
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	↑	1,732	0.30%	1,727	1,727
Platinum	↑	1,185	3.25%	1,147	1,176
Brent Crude	↑	64.6	4.23%	62.0	63.3
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,347	4.40%	1,290	1,347
JSE All Share	↑	66,834	3.16%	64,784	66,834
SP500	↑	3,975	1.66%	3,910	3,975
FTSE 100	↑	6,741	0.99%	6,675	6,741
Hangseng	↑	28,336	1.57%	27,900	28,193
DAX	↑	14,749	0.87%	14,621	14,749
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	12,147	2.54%	11,846	12,147
Resources	↑	67,491	4.97%	64,297	67,491
Industrials	↑	87,918	2.25%	85,982	87,918
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	14.95	-0.39%	15.01	14.95
N\$/Pound	↓	20.61	-0.01%	20.61	20.58
N\$/Euro	↓	17.63	-0.16%	17.66	17.61
US dollar/ Euro	↑	1.180	0.27%	1.176	1.177
		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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