



# The Daily Brief

Capricorn Asset Management

Market Update

Wednesday, 31 March 2021



## Global Markets

Stocks were on the backfoot on Wednesday while the safe-haven dollar held near a one-year high as Treasury yields resumed their upward march, hitting sentiment even as Chinese data underpinned signs of a solid global economic recovery.

MSCI's broadest index of Asia-Pacific shares outside of Japan eased from a one-week high of 682.36 points to be last at 680.04 and still a fair distance away from an all-time peak of 745.89 touched just last month. For the month so far, the index is down 1.6% to be on track for its first loss in five months. It is poised for its fourth consecutive quarterly gain though it would be the smallest increase since a 21% fall in March 2020 when the coronavirus pandemic brought the world to a standstill.

"Markets are watching closely to gauge the damage and potential ripple effects caused by the Archegos Capital Management crisis," ANZ analysts wrote in a note. Some global banks are facing billions of dollars in losses after U.S. investment firm Archegos Capital Management LP defaulted on margin calls, putting investors on edge about who else might be exposed. "For some this serves as a timely reminder that while pandemic risks are abating, financial market risks remain elevated," ANZ added.

The risk-off mood lately has been set off by a surge in bond yields. U.S. Treasury yields skyrocketed 83 basis points just this quarter, the biggest increase in over a decade, making equity valuations look lofty particularly for major tech companies which have borne the brunt of the sell-off. On Wednesday, 10-year Treasury yields rose as high as 1.742% from Tuesday's 1.708%.

Analysts at Blackrock said they still liked tech stocks. "Tech is a diverse sector and the driver of higher yields matters more than the rise itself," Blackrock said in a note to clients. "Our new nominal theme implies central banks will be slower to raise rates to curb inflation than in the past, supporting our pro-risk stance and preference for tech."

Over a 6-12 month period, Blackrock is "overweight" equities and "underweight" U.S. Treasuries, expecting a nominal increase in yields. "The 'term premium tantrum' mostly reflects investors requiring higher compensation for the now greater risks to portfolios presented by government bonds and inflation, in our view," Blackrock said. "This makes equities even more appealing than bonds in a multi-asset context – and suggests any further sell-offs in tech may present opportunities."

Sentiment in Asia remained downbeat despite data showing China's factory activity expanded at a faster-than-expected pace in March while the country's services sector surged too. Chinese shares started in the red and deepened their losses, with the blue-chip index off 1.1%. Hong Kong's Hang Seng index slipped 0.2%. Japan's Nikkei slid 0.7% as the country's industrial output fell in February due to declines in the production of cars and electrical machinery. Australia's benchmark index bucked the trend to be up 1.5%, New Zealand rose 0.8% while South Korea's KOSPI index added 0.1%. E-mini futures for the S&P 500 were a shade higher.

In foreign exchange markets, currencies were mostly a sea of red against the U.S. dollar which hit a one-year high of 110.48 against the yen as investors bet that massive fiscal stimulus and aggressive vaccinations will boost the U.S. economic recovery. The dollar is on track for a third straight monthly rise against the yen and its biggest since end-2016. The dollar index held above 93 after surging as high as 93.357 on Tuesday. It has climbed from close to 90 at the start of March, on course for its best month since 2016. Australia's dollar edged up to \$0.7606, consolidating after its drop to \$0.7564 last week, the lowest level seen this year.

In commodities, Brent crude rose 6 cents to \$64.20 a barrel while U.S. crude added 27 cents to \$60.81 barrel. Gold prices slipped a touch to 1,679.31 an ounce.



## Domestic Markets

South Africa's rand and stocks firmed in late trade on Tuesday, ahead of President Cyril Ramaphosa's address to the nation on the country's response to the COVID-19 pandemic. At 1505 GMT the rand was 0.23% firmer at 14.8950 per dollar.

The currency had a volatile session that saw it weaken to a session low of 14.9950 before recovering, as investors continue to look to moves in global markets for direction. High-yielding currencies in the developing world have come under pressure this month from rising U.S. bond yields, which have surged on expectations of higher inflation and pushed up demand for the dollar.

Ramaphosa was due to address the nation at 1730 GMT. South Africa is the hardest-hit country on the continent in terms of recorded coronavirus cases and deaths, while its vaccination programme has so far lagged wealthier nations.

The slow vaccine rollout has raised concerns of tighter lockdown restrictions should infections rise rapidly again. "South Africa's slow economic recovery continues to depend on the degree of lockdown restrictions imposed, with businesses, and economic activity, proving highly sensitive to the restrictions," said Investec chief economist Annabel Bishop.

Stocks also firmed, with the Johannesburg All-Share index up 0.3% to 67,291 points while the Top-40 index climbed 0.24% to 61,589 points. Among the strong sectors on the bourse were real estate firms, with the South Africa listed property index up 1.49%.

Consumer discretionary and staples stocks also gained after central bank data showed that personal disposable income grew 3.7% quarter-on-quarter in the fourth quarter and household consumption spending remained firm, but the growth rate decelerated to 7.5% q-o-q from a 75.3% surge in the third quarter as spending normalised.

"Economic activity will fare better in 2021 as the gradual rollout of COVID-19 vaccines ease anxiety. However, household finances will probably remain under pressure," Nedbank's Senior Economist Nicky Weimar and economist Johannes Khosa said in a note.

Bonds weakened, with the yield on the benchmark 2030 paper up 10 basis points to 9.55%.

## Corona Tracker

GLOBAL CASES SOURCE - REUTERS	31-Mar-2021			3:47
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	127,858,818	213,997	2,921,929	84,503,951

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

Source: Thomson Reuters

You were designed for accomplishment, engineered for success, and endowed with the seeds of greatness.

Zig Ziglar



## Market Overview

MARKET INDICATORS (Thomson Reuters)				31 March 2021	
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	➡	4.20	0.000	4.20	4.20
6 months	⬇	4.65	-0.025	4.67	4.43
9 months	⬇	4.83	-0.025	4.86	4.78
12 months	⬇	5.00	-0.033	5.03	5.00
<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)	➡	4.44	0.000	4.44	4.44
GC22 (Coupon 8.75%, BMK R2023)	⬆	6.05	0.040	6.01	6.05
GC23 (Coupon 8.85%, BMK R2023)	⬆	5.95	0.040	5.91	5.95
GC24 (Coupon 10.50%, BMK R186)	⬆	7.84	0.115	7.73	7.84
GC25 (Coupon 8.50%, BMK R186)	⬆	7.85	0.115	7.74	7.85
GC26 (Coupon 8.50%, BMK R186)	⬆	7.85	0.115	7.74	7.85
GC27 (Coupon 8.00%, BMK R186)	⬆	8.14	0.115	8.03	8.14
GC30 (Coupon 8.00%, BMK R2030)	⬆	9.85	0.100	9.75	9.83
GC32 (Coupon 9.00%, BMK R213)	⬆	10.95	0.090	10.86	10.94
GC35 (Coupon 9.50%, BMK R209)	⬆	12.00	0.060	11.94	11.98
GC37 (Coupon 9.50%, BMK R2037)	⬆	12.54	0.050	12.49	12.53
GC40 (Coupon 9.80%, BMK R214)	⬆	13.25	0.025	13.23	13.25
GC43 (Coupon 10.00%, BMK R2044)	⬆	13.58	0.030	13.55	13.57
GC45 (Coupon 9.85%, BMK R2044)	⬆	13.86	0.030	13.83	13.85
GC50 (Coupon 10.25%, BMK: R2048)	⬆	13.89	0.035	13.86	13.88
<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)	➡	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	6.85
GI36 (Coupon 4.80%, BMK NCPI)	➡	7.35	0.000	7.35	7.35
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	⬇	1,685	-1.59%	1,712	1,679
Platinum	⬇	1,155	-1.78%	1,176	1,154
Brent Crude	⬇	64.1	-1.29%	65.0	64.5
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	⬆	1,358	0.53%	1,351	1,358
JSE All Share	⬆	67,292	0.30%	67,089	67,292
SP500	⬇	3,959	-0.32%	3,971	3,959
FTSE 100	⬆	6,772	0.53%	6,736	6,772
Hangseng	⬆	28,578	0.84%	28,338	28,489
DAX	⬆	15,009	1.29%	14,818	15,009
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	⬆	12,550	0.84%	12,446	12,550
Resources	⬇	66,869	-0.09%	66,932	66,869
Industrials	⬆	88,705	0.31%	88,427	88,705
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	⬆	14.91	0.05%	14.91	14.93
N\$/Pound	⬇	20.49	-0.10%	20.51	20.49
N\$/Euro	⬇	17.47	-0.36%	17.53	17.48
US dollar/ Euro	⬇	1.171	-0.41%	1.176	1.171
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>Mar 21</b>	<b>Feb 21</b>	<b>Mar 21</b>	<b>Feb 21</b>
Central Bank Rate	➡	3.75	3.75	3.50	3.50
Prime Rate	➡	7.50	7.50	7.00	7.00
		<b>Feb 21</b>	<b>Jan 21</b>	<b>Feb 21</b>	<b>Jan 21</b>
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: Thomson Reuters



---

**For enquiries concerning the Daily Brief please contact us at**

**[Daily.Brief@capricorn.com.na](mailto:Daily.Brief@capricorn.com.na)**

***Disclaimer***

*The information contained in this note is the property of Capricorn Asset Management (CAM). The information contained herein has been obtained from sources which and persons whom the writer believe to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute the writer’s judgement as of the date of this material and are subject to change without notice. This note is provided for informational purposes only and may not be reproduced in any way without the explicit permission of CAM.*

A member of  **Capricorn Group**

---