



Market Update

Tuesday, 01 December 2020

Global Markets

Share markets began the new month with a bang on Tuesday, buoyed by the prospect of a COVID-19 vaccine fuelling a global economic recovery, buoyant Chinese factory activity and expectations of continuing fiscal and monetary support.

MSCI's broadest index of Asia-Pacific shares outside Japan added 1.08% after closing the month 9% higher, the best November since 2001. China's blue-chip CSI300 index jumped to be 1.56% higher on Tuesday, after a business survey showed on Tuesday activity in China's factory sector accelerated at the fastest pace in a decade in November.

"That was one of the strongest readings we've had for many, many, many years in China, indeed, supporting the broader economic recovery story for the region," said John Woods, Asia Pacific Chief Investment Officer at Credit Suisse's Private Bank. "Where the China PMI goes, the MSCI Asia ex-Japan follows, so we would expect to see further capital appreciation on the strong growth story in China."

Japan's Nikkei was up 1.34% while South Korea was up 1.5%. Australia's S&P/ASX 200 was 1% higher after Australia's central bank said the country's economy would need fiscal and monetary support "for some time" while noting the run of better news. "What we are seeing today is that upward trend reasserting itself, given the positive news on the vaccine front, China's growth picking up, and the tremendous faith in the ability of central banks to keep the markets afloat," said Stephen Miller, market strategist for GSFM Funds Management.

MSCI's gauge of stocks across the globe was 0.18% higher and E-Mini futures for the S&P 500 were up 0.9%. "We've seen clearly a huge wave of liquidity coming to equities in response to the vaccine news and in response to U.S. election news," said Hamish Tadjell, a portfolio manager at SG Hiscock & Company. "But there are still risks, and as a result we could see the market pullback, I think, particularly as we come into the Christmas period."

Moderna Inc applied for U.S. emergency authorization for its COVID-19 vaccine after full results from a late-stage study showed it was 94.1% effective with no serious safety concerns. The progress on the COVID-19 vaccines and hopes of a swift economic rebound next year were adding to the optimistic sentiment in the market, analysts said. "I think that markets are pricing in, if not fully pricing a recovery, they are pricing in the vast majority of it (and) it's very hard to meet these elevated expectations," said Interactive Brokers Chief Strategist Steve Sosnick.

The dollar was under pressure on Tuesday, after closing out its worst month since July with a little bounce and as investors reckon on even more U.S. monetary easing. The U.S. bond market was slightly weaker, as the U.S. Congress began a two-week sprint to secure government funding and avoid a possible shutdown amid the coronavirus pandemic. Benchmark U.S. 10-year yields rose with U.S. Treasury futures trading one pip lower at \$138.51.

Oil prices were slightly lower on uncertainty about whether the world's major oil producers would agree to extend deep output cuts at talks this week. U.S. crude eased back 35 cents to \$44.99 a barrel on Tuesday, while Brent crude futures were 33 cents lower at \$47.55.

Domestic Markets

South Africa's rand weakened around 1% on Monday, recording a third straight session of losses, as investors continued to take profits from last week's rally, while mixed domestic economic data also kept the currency on the back foot.

At 1500 GMT the rand was 0.8% weaker at 15.3625 per dollar, having fallen as much as 1% earlier to a session-low 15.3975.

South Africa recorded a trade surplus of 36.13 billion rand (\$2.36 billion) in October after a revised 33.36 billion rand surplus in September. The budget deficit was wider, at 49.73 billion rand, for the month.

The currency has defied credit downgrades, which have pushed South Africa's rating deeper into junk, rallying to pre-COVID-19 levels as optimism over progress on a coronavirus vaccine has increased risk appetite globally. But in the past few sessions the fragile domestic economy has come back into focus.

"Strong risk-on financial market sentiment this month as vaccine news improves each week masks the deterioration in SA's credit quality, and so brings a false sense of security on the market reaction to SA's rating downgrades," said Annabel Bishop, chief economist at Investec.

Bonds also weakened, with the yield on the benchmark 2030 paper adding 3 basis points to 8.990%.

On the stock market, the benchmark all-share index closed down 1.26% at 57,092 points and the blue-chip companies index ended the day 1.22% lower at 52,376 points.

"The Moody's downgrade negatively impacted our market and banks are getting the worst of it," said Greg Davis, a trader with Cratos Capital. The banking sector weakened 3.86% with Standard Bank down 4.83% to 121.14 rand and Nedbank 5.54% lower at 122.50 rand.

Credit rating agencies Fitch and Moody's lowered South Africa's sovereign ratings deeper into junk territory on Nov. 20. S&P Global affirmed its rating, which was already two notches below investment grade.

Source: Thomson Reuters

Corona Tracker

The number of new cases is distorted by cut-off times. It is of the order of 300K+.

| GLOBAL CASES | | 01-Dec-2020 | | 7:18 |
|------------------|------------|-----------------|-----------------|--------------|
| SOURCE - REUTERS | | Confirmed Cases | New Cases | Total Deaths |
| | | | Total Recovered | |
| GLOBAL | 63,033,636 | 477,195 | 1,466,329 | 40,585,509 |

Market Overview

| MARKET INDICATORS (Thomson Reuters) | | 01 December 2020 | | | |
|---------------------------------------|---|-------------------|-------------------|-------------------|---------------------|
| Money Market TB Rates % | | Last close | Difference | Prev close | Current Spot |
| 3 months | ↑ | 4.01 | 0.034 | 3.98 | 4.01 |
| 6 months | ↑ | 4.22 | 0.050 | 4.17 | 4.22 |
| 9 months | ↑ | 4.27 | 0.034 | 4.23 | 4.27 |
| 12 months | ↑ | 4.35 | 0.119 | 4.23 | 4.35 |
| Nominal Bond Yields % | | Last close | Difference | Prev close | Current Spot |
| GC21 (Coupon 7.75%, BMK R208) | ↓ | 4.06 | -0.245 | 4.30 | 4.15 |
| GC22 (Coupon 8.75%, BMK R2023) | ↓ | 4.99 | -0.065 | 5.05 | 5.09 |
| GC23 (Coupon 8.85%, BMK R2023) | ↓ | 4.89 | -0.065 | 4.95 | 4.99 |
| GC24 (Coupon 10.50%, BMK R186) | ↑ | 7.41 | 0.020 | 7.39 | 7.39 |
| GC25 (Coupon 8.50%, BMK R186) | ↑ | 7.42 | 0.020 | 7.40 | 7.40 |
| GC26 (Coupon 8.50%, BMK R186) | ↑ | 7.42 | 0.020 | 7.40 | 7.40 |
| GC27 (Coupon 8.00%, BMK R186) | ↑ | 7.71 | 0.020 | 7.69 | 7.69 |
| GC30 (Coupon 8.00%, BMK R2030) | ↑ | 9.30 | 0.020 | 9.28 | 9.29 |
| GC32 (Coupon 9.00%, BMK R213) | ↑ | 10.42 | 0.005 | 10.41 | 10.41 |
| GC35 (Coupon 9.50%, BMK R209) | ↑ | 11.40 | 0.020 | 11.38 | 11.40 |
| GC37 (Coupon 9.50%, BMK R2037) | ↑ | 12.13 | 0.025 | 12.11 | 12.13 |
| GC40 (Coupon 9.80%, BMK R214) | ↑ | 12.80 | 0.025 | 12.77 | 12.79 |
| GC43 (Coupon 10.00%, BMK R2044) | ↑ | 13.27 | 0.035 | 13.24 | 13.27 |
| GC45 (Coupon 9.85%, BMK R2044) | ↑ | 13.55 | 0.035 | 13.52 | 13.55 |
| GC50 (Coupon 10.25%, BMK: R2048) | ↑ | 13.57 | 0.030 | 13.54 | 13.56 |
| Inflation-Linked Bond Yields % | | Last close | Difference | Prev close | Current Spot |
| GI22 (Coupon 3.55%, BMK NCPI) | ↔ | 4.49 | 0.000 | 4.49 | 4.49 |
| GI25 (Coupon 3.80%, BMK NCPI) | ↔ | 4.25 | 0.000 | 4.25 | 4.25 |
| GI29 (Coupon 4.50%, BMK NCPI) | ↔ | 4.41 | 0.000 | 4.41 | 5.10 |
| GI33 (Coupon 4.50%, BMK NCPI) | ↔ | 6.73 | 0.000 | 6.73 | 6.73 |
| GI36 (Coupon 4.80%, BMK NCPI) | ↔ | 6.99 | 0.000 | 6.99 | 6.99 |
| Commodities | | Last close | Change | Prev close | Current Spot |
| Gold | ↓ | 1,777 | -0.62% | 1,788 | 1,785 |
| Platinum | ↑ | 965 | 0.14% | 964 | 981 |
| Brent Crude | ↓ | 47.6 | -1.22% | 48.2 | 47.6 |
| Main Indices | | Last close | Change | Prev close | Current Spot |
| NSX Overall Index | ↓ | 1,165 | -1.77% | 1,186 | 1,165 |
| JSE All Share | ↓ | 57,092 | -1.26% | 57,823 | 57,092 |
| SP500 | ↓ | 3,622 | -0.46% | 3,638 | 3,622 |
| FTSE 100 | ↓ | 6,266 | -1.59% | 6,368 | 6,266 |
| Hangseng | ↓ | 26,341 | -2.06% | 26,895 | 26,608 |
| DAX | ↓ | 13,291 | -0.33% | 13,336 | 13,291 |
| JSE Sectors | | Last close | Change | Prev close | Current Spot |
| Financials | ↓ | 11,159 | -3.62% | 11,578 | 11,159 |
| Resources | ↓ | 52,703 | -0.19% | 52,805 | 52,703 |
| Industrials | ↓ | 78,966 | -1.16% | 79,895 | 78,966 |
| Forex | | Last close | Change | Prev close | Current Spot |
| N\$/US dollar | ↑ | 15.45 | 1.30% | 15.25 | 15.40 |
| N\$/Pound | ↑ | 20.58 | 1.35% | 20.31 | 20.57 |
| N\$/Euro | ↑ | 18.43 | 1.01% | 18.25 | 18.40 |
| US dollar/ Euro | ↓ | 1.193 | -0.28% | 1.196 | 1.195 |
| | | Namibia | | RSA | |
| Interest Rates & Inflation | | Oct 20 | Sep 20 | Oct 20 | Sep 20 |
| Central Bank Rate | ↔ | 3.75 | 3.75 | 3.50 | 3.50 |
| Prime Rate | ↔ | 7.50 | 7.50 | 7.00 | 7.00 |
| | | Oct 20 | Sep 20 | Oct 20 | Sep 20 |
| Inflation | ↓ | 2.3 | 2.4 | 3.3 | 3.0 |

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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