

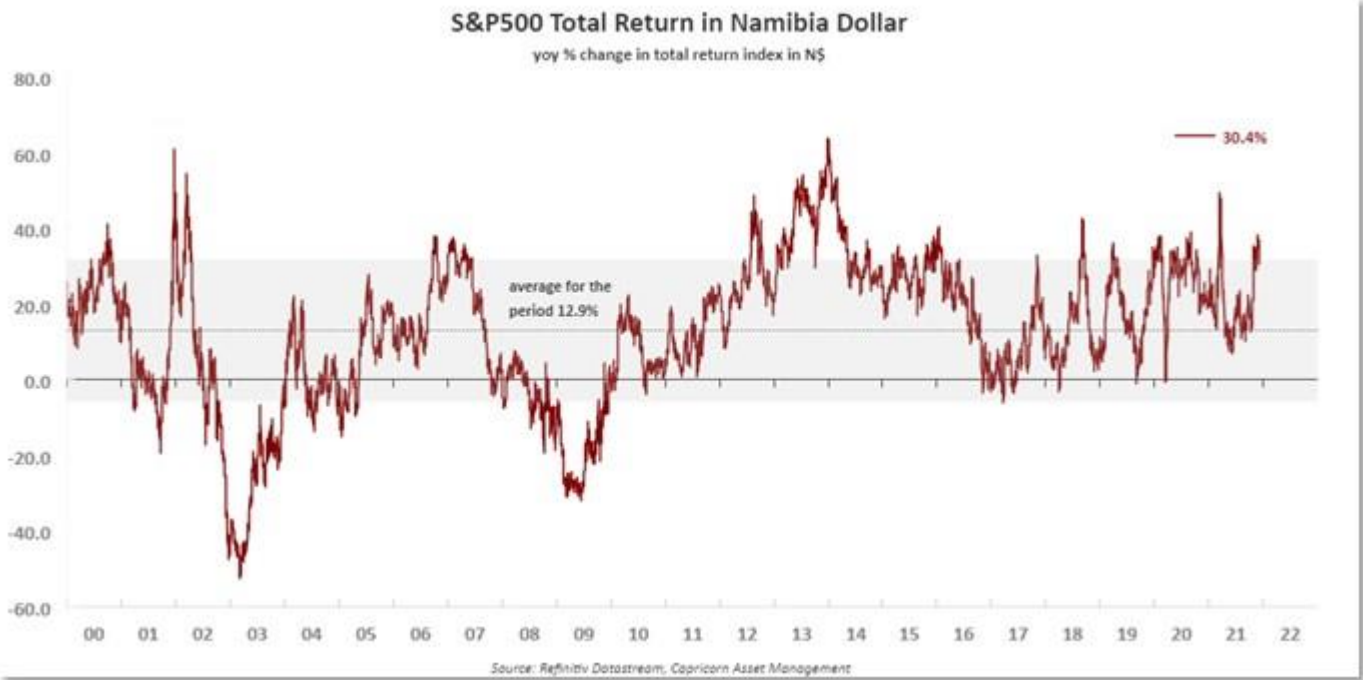


The Daily Brief

Capricorn Asset Management

Market Update

Thursday, 2 December 2021



Global Markets

Asian shares edged higher in choppy trading on Thursday, helped by advances in Chinese real estate shares, though fears about the Omicron variant of the new coronavirus capped gains regionally. Also weighing on share markets were remarks from Fed Chair Jerome Powell reiterating that he and fellow policymakers will consider a faster wind-down to the Fed's bond-buying programme, a move widely seen as opening the door to earlier interest rates hikes.

This helped support the dollar which, despite the cautious mood gained ground on the yen, typically seen as an even safer haven than the greenback.

MSCI's index of Asia-Pacific shares outside Japan advanced 0.2%, boosted by Chinese blue chips up 0.25% and Hong Kong up 0.2%. An index of Hong Kong listed mainland developers rose 2% after news late Wednesday that Chinese developers plan to sell bonds in China to raise a combined 18 billion yuan (\$2.83 billion), evidence Beijing is marginally easing liquidity strains on the cash-strapped sector. However, Japan's Nikkei lost 0.6%, and all three main Wall Street benchmarks fell

more than 1% overnight as a global rally petered out as news about the Omicron variant of the coronavirus turned negative.

Omicron is rapidly becoming the dominant variant of the coronavirus in South Africa less than four weeks after it was first detected there, and on Wednesday the United States became the latest country to identify an Omicron case within its borders.)

"All that anyone can do at the moment is wait for each headline as it breaks, as there are a series of outstanding questions about the new variant that remain largely unanswered and will remain unanswered for days or weeks," said Kyle Rodda an analyst at Melbourne brokerage IG markets.

He added that with the Federal Reserve reducing its stimulus and building up to raising rates, "this is the first time in a really long time when markets haven't taken a bad development as another excuse to buy stocks expecting an increase in liquidity from the Fed".

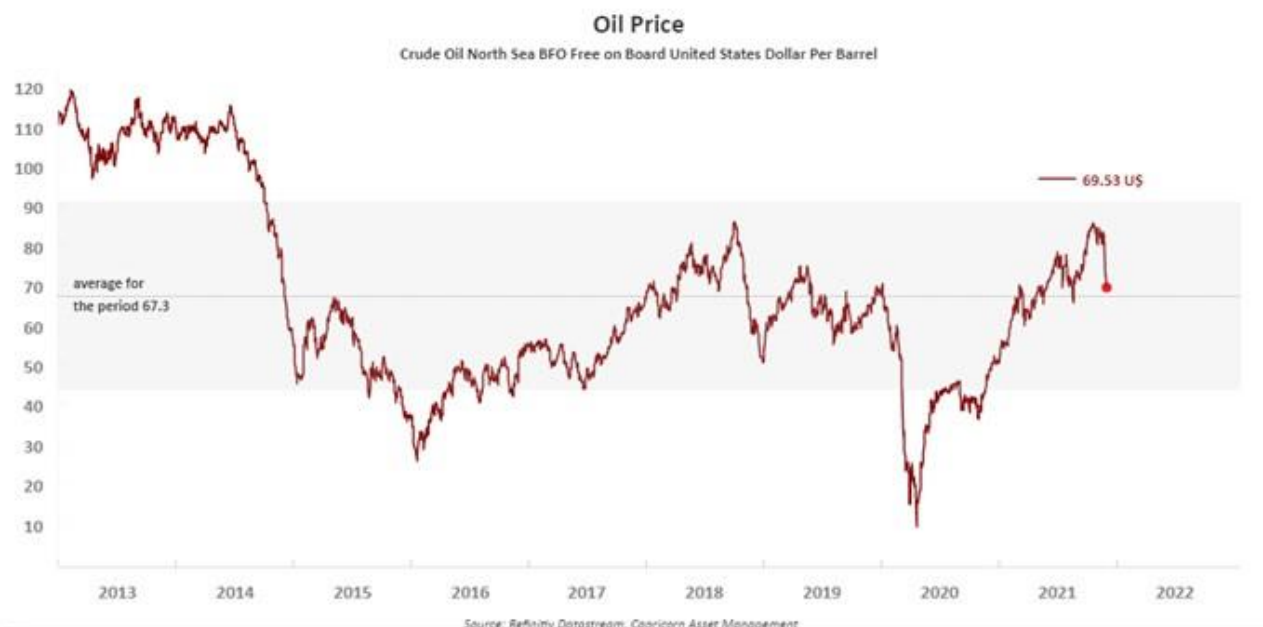
In another sign of a flight to safety, long dated U.S. Treasury yields slid late in U.S. hours. The yield on 30-year bonds dropped to as low as 1.740%, their lowest since early January, and benchmark 10 year yields dropped to as low as 1.404% - a nine week low.

Yields at the short end of the curve were steadier on chances that the U.S. Federal Reserve will speed up its bond purchase tapering. On Wednesday, in his second day of testimony to Congress, Powell said the Fed needs to be ready to respond to the possibility that inflation may not recede in the second half of next year as most forecasters currently expect. This would likely lead to an acceleration in the pace at which the Fed tapers its asset purchase programme.

"We now expect the (Fed's policy committee) to finish asset purchases in April 2022 and start hiking the Funds rate in June 2022," said analysts at CBA in a morning note. The dollar index was steady, though the greenback rose around 0.25% to 113 yen regaining a little of its recent losses, thanks to the hawkish tone. The risk sensitive Australian dollar languished at \$0.7114 not far from Tuesday's low of \$0.7063, its weakest since early November of last year.

Oil prices also rebounded, albeit after a strong sell off in recent days based on fears the new variant will hit travel. Brent crude futures gained 0.9% to \$69.48 a barrel, and U.S. crude futures gained 0.76% to \$66.08 a barrel though still in sight of Tuesday's over three month low. Spot gold slid 0.12% to \$1,780 an ounce.

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand and stocks continued their recovery on Wednesday from last week's plunge, as risk appetite returned somewhat to markets, with investors betting that the Omicron COVID-19 variant would not derail the economic recovery.

At 1511 GMT, the rand traded at 15.7950 against the dollar, 0.61% firmer than its previous close. The currency plunged to its weakest since October 2020 on Friday, breaching 16.00 to the dollar, as the world reacted with alarm to the news of the Omicron variant, which was first detected in southern Africa.

Calm has somewhat returned to markets, following remarks from South African health experts and some drugmakers that COVID-19 vaccines were likely to offer protection against any severe disease from the Omicron variant.

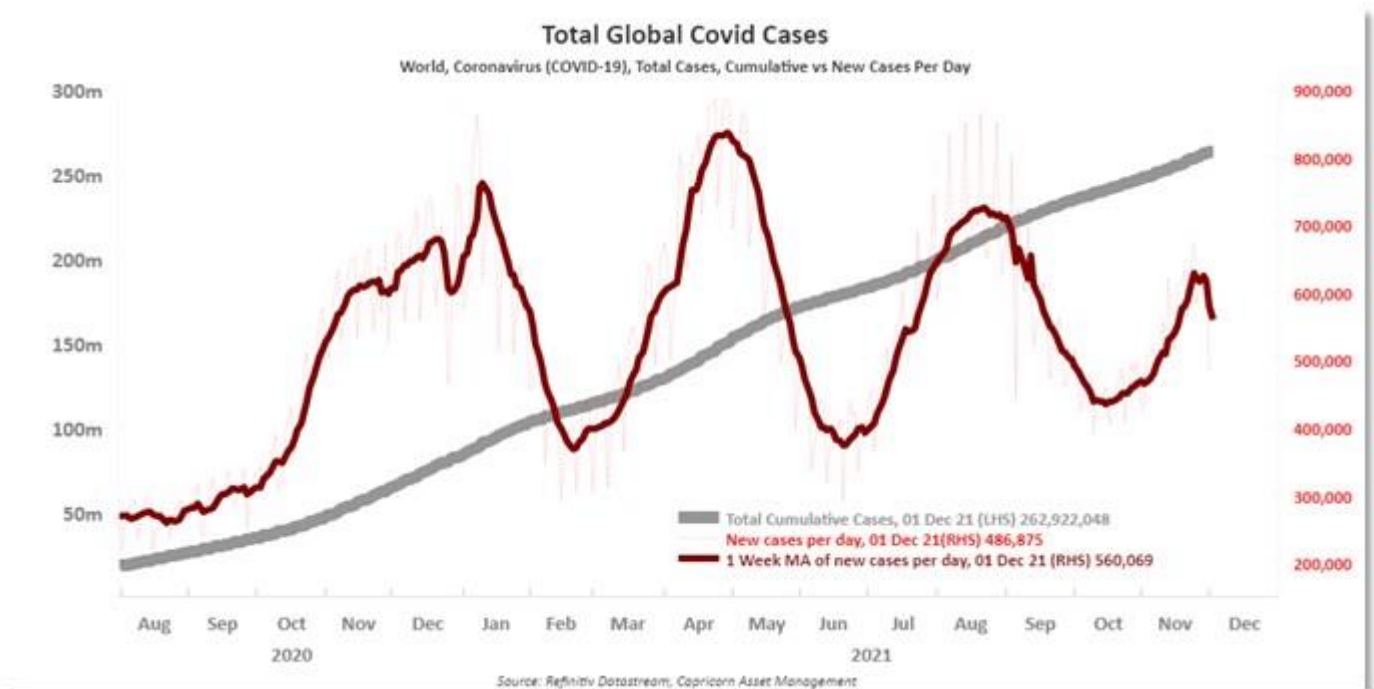
"We have seen some risk appetite returning to the marketplace today as markets digest news of the Omicron COVID variant and recent comments from Fed Chair Jerome Powell," Shaun Murison, senior market analyst at IG, said. "News that the Federal Reserve might no longer consider inflation to be transitory, has seen a knee jerk reaction from the dollar, which after strengthening overnight has given back some of its gains today."

Government bonds were also firmer, with the yield on the 2030 instrument down 0.5 basis points at 9.765%.

In the equities market, stocks mirrored gains in world stocks as they also bounced back. Economic data that South African manufacturing activity expanded at a faster pace in November as business activity and new sales orders grew, helped fuel the bullish mood. The Johannesburg All-Share index closed up 1.03% while the Top-40 index climbed 1.13%. Among the gainers, Impala Platinum and smaller platinum group metals producer Royal Bafokeng gained 4.18% and 4.32% respectively after Impala bought a further 14 million shares in Royal Bafokeng.

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		01-Dec-2021		0:20
	Confirmed Cases	New Cases	Total Deaths	
GLOBAL	262,922,048	486,875	5,476,925	



Source: Thomson Reuters Refinitiv

I think we ought always to entertain our opinions with some measure of doubt. I shouldn't wish people dogmatically to believe any philosophy, not even mine.

Bertrand Russell

Market Overview

MARKET INDICATORS (Thomson Reuters)		02 December 2021			
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↓	4.38	-0.018	4.40	4.38
6 months	↓	5.06	-0.013	5.07	5.06
9 months	↓	5.50	-0.027	5.53	5.50
12 months	↓	5.61	-0.001	5.61	5.61
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC22 (Coupon 8.75%, BMK R2023)	↓	4.27	-0.025	4.30	4.27
GC23 (Coupon 8.85%, BMK R2023)	↓	6.15	-0.025	6.18	6.15
GC24 (Coupon 10.50%, BMK R186)	↑	7.62	0.020	7.60	7.64
GC25 (Coupon 8.50%, BMK R186)	↑	7.85	0.020	7.83	7.87
GC26 (Coupon 8.50%, BMK R186)	↑	8.82	0.020	8.80	8.84
GC27 (Coupon 8.00%, BMK R186)	↑	9.06	0.020	9.04	9.08
GC30 (Coupon 8.00%, BMK R2030)	↓	10.66	-0.005	10.67	10.69
GC32 (Coupon 9.00%, BMK R213)	↔	11.43	0.000	11.43	11.46
GC35 (Coupon 9.50%, BMK R209)	↓	11.94	-0.025	11.97	11.96
GC37 (Coupon 9.50%, BMK R2037)	↓	12.57	-0.015	12.59	12.59
GC40 (Coupon 9.80%, BMK R214)	↓	13.28	-0.020	13.30	13.31
GC43 (Coupon 10.00%, BMK R2044)	↓	13.51	-0.045	13.56	13.55
GC45 (Coupon 9.85%, BMK R2044)	↓	13.49	-0.045	13.53	13.52
GC48 (Coupon 10.00%, BMK R2048)	↓	13.52	-0.035	13.56	13.55
GC50 (Coupon 10.25%, BMK: R2048)	↓	13.75	-0.035	13.79	13.78
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	↔	3.95	0.000	3.95	3.95
GI25 (Coupon 3.80%, BMK NCPI)	↔	3.94	0.000	3.94	3.94
GI27 (Coupon 4.00%, BMK NCPI)	↔	4.99	0.000	4.99	4.99
GI29 (Coupon 4.50%, BMK NCPI)	↔	5.99	0.000	5.99	5.99
GI33 (Coupon 4.50%, BMK NCPI)	↔	7.82	0.000	7.82	7.82
GI36 (Coupon 4.80%, BMK NCPI)	↔	8.01	0.000	8.01	8.01
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,783	0.50%	1,774	1,777
Platinum	↓	933	-0.10%	934	939
Brent Crude	↓	68.9	-2.41%	70.6	69.7
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,475	1.19%	1,457	1,475
JSE All Share	↑	71,198	1.03%	70,475	71,198
SP500	↓	4,513	-1.18%	4,567	4,513
FTSE 100	↑	7,169	1.55%	7,059	7,169
Hangseng	↑	23,659	0.78%	23,475	23,738
DAX	↑	15,473	2.47%	15,100	15,473
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	13,880	2.13%	13,591	13,880
Resources	↑	67,859	0.90%	67,251	67,859
Industrials	↑	93,997	0.94%	93,123	93,997
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	16.03	0.96%	15.88	15.97
N\$/Pound	↑	21.28	0.83%	21.11	21.21
N\$/Euro	↑	18.14	0.81%	18.00	18.07
US dollar/ Euro	↓	1.132	-0.15%	1.134	1.132
		Namibia		RSA	
Interest Rates & Inflation		Nov 21	Oct 21	Nov 21	Oct 21
Central Bank Rate	↔	3.75	3.75	3.75	3.50
Prime Rate	↔	7.50	7.50	7.25	7.00
		Oct 21	Sep 21	Oct 21	Sep 21
Inflation	↑	3.6	3.5	5.0	5.0

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 the Overall Index, including dual listed

Source: Thomson Reuters Refinitiv

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.



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