



The Daily Brief

 Capricorn Asset Management

Market Update

Thursday, 06 May 2021



Global Markets

Shares rose on Thursday and commodity prices held near multi-year highs as investors switched to cyclicals amid hopes of a strong economic recovery, while the Australian dollar fell after China said it would end economic dialogue with Canberra.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.25%, and Japan's Nikkei jumped 1.8% as it reopened after a five-day holiday. Chinese shares, also resuming trade for the first time since last week, were mixed in early trade, with the Shanghai Composite up 0.45% and CSI300 down 0.2%.

On Wall Street, Dow hit a record high overnight, having risen 0.29%, while the S&P 500 added 0.07%, led by gains in energy and other cyclical shares. The Nasdaq Composite gave up its earlier gains to end 0.37% lower on Wednesday as mega cap technology companies slipped, following sharp declines on Tuesday.

Richly valued tech shares fell after U.S. Treasury Secretary Janet Yellen's suggested rate hikes may be needed to stop the economy from overheating, though she later said she was not "predicting or recommending" a near-term hike. With very few Federal Reserve officials ready to discuss withdrawing stimulus and the world economy looking set to post a strong recovery from the

pandemic-triggered recession, investors have switched to cyclicals - companies that are heavily affected by economic conditions, analysts said.

"This year, both the U.S. and Chinese economy could grow 6% or more. If the world's two biggest economies are growing that much, clearly that's positive," said Norihiro Fujito, chief investment strategist, Mitsubishi UFJ Morgan Stanley Securities.

Against this backdrop, commodity prices are riding high, with copper flirting with 10-year peaks. Oil prices also held near their March tops. U.S. crude futures stood at \$65.65 per barrel, little changed on the day but just below Wednesday's two-month high of \$66.76. Thomson Reuters CRB index has risen to its highest level since 2015, having gained more than 21% so far this year.

Higher commodity prices are fuelling inflation expectations in the bond market. The U.S. breakeven inflation rate, or inflation expectations calculated from the yield gap between inflation-linked bonds and conventional bonds, rose to as high as 2.48% overnight. But the U.S. nominal bond yields held relatively stable, with the 10-year U.S. Treasuries yield little changed at 1.584%.

"Bonds were supported partly because the pace of vaccinations has slowed in the States and as real-money investors are starting to buy," said Naokazu Koshimizu, economist at Nomura Securities. "Rise in inflation is also driven more by supply constraints than demand, which is why we are seeing rising inflation expectations and fall in nominal yields," he added.

In currencies, the Australian dollar dropped 0.5% to \$0.7712 after China's state economic planner said it had decided to "indefinitely suspend" all activities under the China-Australia Strategic Economic Dialogue. The British pound was flat at \$1.3910 ahead of a central bank policy review. The Bank of England could slow the pace of its bond buying to allow the quantitative easing programme to last until the end of the year, as it could reach the cap by September at the current pace of buying. Other currencies were little moved, with focus on Friday's U.S. monthly jobs report that is expected to show that nonfarm payrolls increased by 978,000 jobs last month.



Domestic Markets

The South African rand gained on Wednesday afternoon, as the U.S. dollar eased off a more than two-week high hit earlier in the day and local media reported that the governing party had suspended one of its top officials, Ace Magashule.

At 1656 GMT the rand traded at 14.3700 against the dollar, 0.6% stronger than its previous close. The dollar slipped back after some softer-than-expected U.S. economic data that prompted traders to consolidate positions ahead of a jobs report due at the end of the week.

Reports that the African National Congress had suspended corruption-charged Magashule supported the rand, as the move is seen as a sign of President Cyril Ramaphosa's growing control over his divided party. Magashule denies wrongdoing.

Investor attention will soon turn to a scheduled review of South Africa's sovereign credit by Moody's on Friday. The rating agency already assigns a "junk" status to the country, but with a negative outlook there is the potential for a further downgrade.

Government bonds were little changed on Wednesday, with the yield on the instrument due in 2030 down 1 basis point at 9.11%.

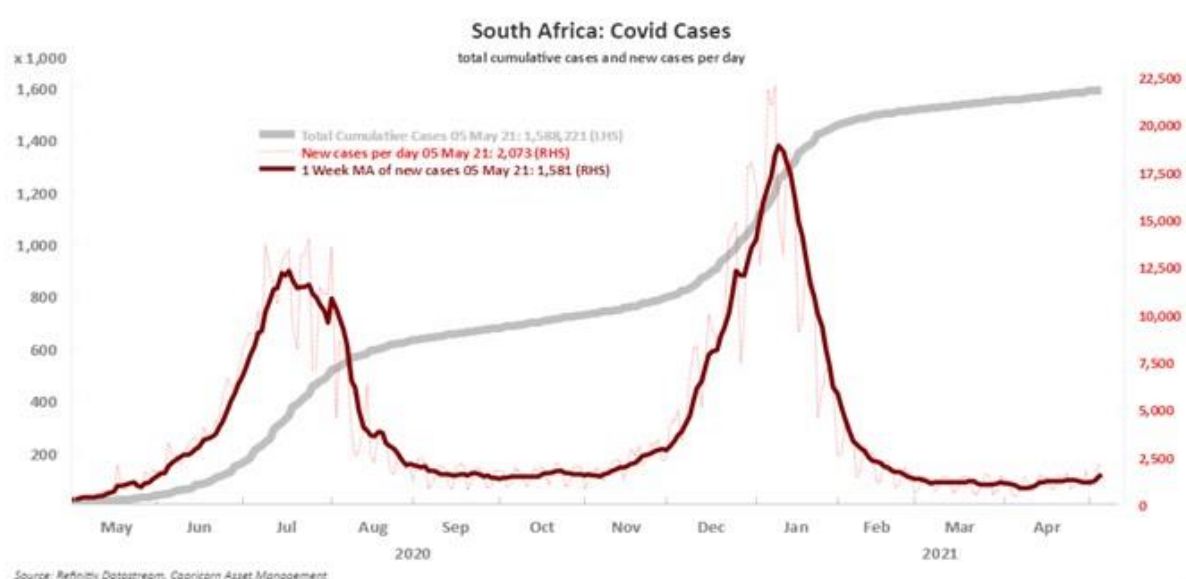
Johannesburg-listed shares strengthened alongside global equities. Among gainers, mobile operator MTN Group closed 11.53% stronger after posting a near 18% jump in first-quarter revenue. The Johannesburg Stock Exchange's All-share index closed up 1.77% at 67,346 points, and the blue-chip index rose 1.92% to 61,536 points.

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		06-May-2021		7:37
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	154,651,224	608,364	3,372,822	104,126,974

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

Source: Thomson Reuters



Good character is not formed in a week or a month. It is created little by little, day by day. Protracted and patient effort is needed to develop good character.

Heraclitus

Market Overview

MARKET INDICATORS (Thomson Reuters)				06 May 2021	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↔	4.20	0.000	4.20	4.20
6 months	↔	4.41	0.000	4.41	4.41
9 months	↔	4.72	0.000	4.72	4.72
12 months	↑	4.77	0.009	4.76	4.77
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	↑	4.39	0.005	4.39	4.39
GC22 (Coupon 8.75%, BMK R2023)	↑	5.34	0.020	5.32	5.30
GC23 (Coupon 8.85%, BMK R2023)	↑	5.24	0.020	5.22	5.20
GC24 (Coupon 10.50%, BMK R186)	↑	7.65	0.020	7.63	7.62
GC25 (Coupon 8.50%, BMK R186)	↑	7.66	0.020	7.64	7.63
GC26 (Coupon 8.50%, BMK R186)	↑	7.66	0.020	7.64	7.63
GC27 (Coupon 8.00%, BMK R186)	↑	7.95	0.020	7.93	7.92
GC30 (Coupon 8.00%, BMK R2030)	↓	9.44	-0.015	9.45	9.40
GC32 (Coupon 9.00%, BMK R213)	↓	10.50	-0.030	10.53	10.47
GC35 (Coupon 9.50%, BMK R209)	↓	11.51	-0.025	11.54	11.48
GC37 (Coupon 9.50%, BMK R2037)	↓	12.02	-0.030	12.05	11.98
GC40 (Coupon 9.80%, BMK R214)	↓	12.74	-0.025	12.77	12.71
GC43 (Coupon 10.00%, BMK R2044)	↓	13.05	-0.020	13.07	13.03
GC45 (Coupon 9.85%, BMK R2044)	↓	13.33	-0.020	13.35	13.31
GC50 (Coupon 10.25%, BMK: R2048)	↓	13.34	-0.030	13.37	13.31
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)	↔	4.00	0.000	4.00	4.00
GI29 (Coupon 4.50%, BMK NCPI)	↔	5.65	0.000	5.65	5.65
GI33 (Coupon 4.50%, BMK NCPI)	↔	6.80	0.000	6.80	6.80
GI36 (Coupon 4.80%, BMK NCPI)	↔	7.35	0.000	7.35	7.35
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,786	0.45%	1,778	1,792
Platinum	↓	1,225	-1.01%	1,238	1,227
Brent Crude	↑	69.0	0.12%	68.9	69.2
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,405	3.38%	1,359	1,405
JSE All Share	↑	67,346	1.77%	66,174	67,346
SP500	↑	4,168	0.07%	4,165	4,168
FTSE 100	↑	7,039	1.68%	6,923	7,039
Hangseng	↓	28,418	-0.49%	28,557	28,540
DAX	↑	15,171	2.12%	14,856	15,171
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	12,356	2.24%	12,086	12,356
Resources	↑	70,351	2.55%	68,605	70,351
Industrials	↑	85,649	1.27%	84,576	85,649
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	14.36	-0.68%	14.45	14.35
N\$/Pound	↓	19.96	-0.55%	20.07	19.96
N\$/Euro	↓	17.23	-0.74%	17.36	17.23
US dollar/ Euro	↓	1.201	-0.07%	1.201	1.201
		Namibia		RSA	
Interest Rates & Inflation		Apr 21	Mar 21	Apr 21	Mar 21
Central Bank Rate	↔	3.75	3.75	3.50	3.50
Prime Rate	↔	7.50	7.50	7.00	7.00
		Mar 21	Feb 21	Mar 21	Feb 21
Inflation	↑	3.1	2.7	3.2	2.9

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



Capricorn Asset Management



Bank Windhoek

For enquiries concerning the Daily Brief please contact us at

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**
