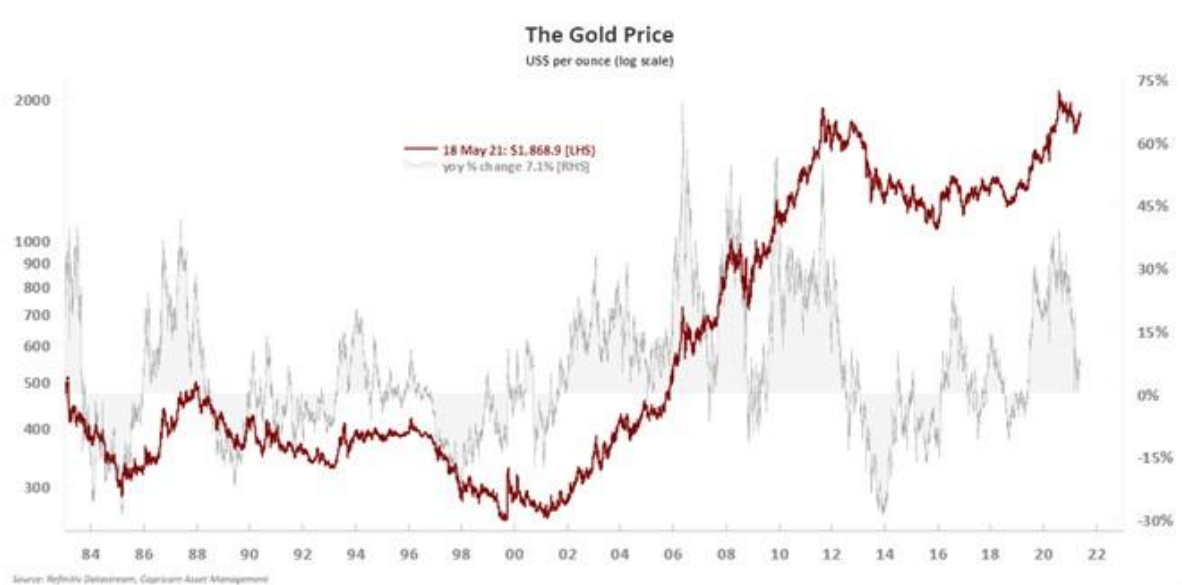




Market Update

Wednesday, 19 May 2021



Global Markets

Asian stocks dipped and cryptocurrencies extended losses on Wednesday as uncertainties over inflation prompted investors to reduce exposure to riskier assets for now. Also weighing on digital coins was a new Chinese ban on financial institutions providing services related to cryptocurrency transactions.

MSCI's broadest index of Asia-Pacific shares outside Japan dropped 0.3% though Hong Kong and South Korea are closed for holiday. Mainland China's CSI300 slipped 0.6% while Japan's Nikkei lost 1.1%. Wall Street stocks slid late in the session to end lower on Tuesday, unable to sustain gains made after bumper earnings from Walmart and Home Depot. The S&P 500 lost 0.85%, with telecom shares leading the decline, while the Nasdaq Composite dropped 0.56%.

"Now that investors are pre-occupied with inflation, they are probably reluctant to make big decisions until they see a clearer picture," said Hirokazu Kabeya, chief global strategist at Daiwa Securities. "Inflation worries will keep markets uncertain for now, even though I don't expect stock prices to collapse given economic re-openings."

The Federal Reserve has stuck to the narrative that a recent rise in inflation would be transient and that it therefore should keep its easy monetary policy settings. The minutes from the Fed's April meeting, to be published late on Wednesday, are expected to repeat that message.

"Inflation remains the biggest theme, whether it is real and whether the Fed may need to change its policy because of that," said Kazushige Kaida, head of forex sales at State Street Bank's Tokyo branch. "At the moment, markets are putting faith, after a fashion, in the Fed's narrative."

Yet an unexpected pickup in consumer inflation and signs of a labour shortage in the United States have prompted investors to dump assets that had risen sharply over the past year.

Cryptocurrencies are one such extreme case. Bitcoin dropped as much as 5.3% to hit its lowest level since early February and last stood at \$40,973, having lost more than a third of its value from a peak of \$64,895 hit just over a month ago. Ether, the second largest cryptocurrency, changed hands at \$3,199, down more than 25% from its record peak hit last Wednesday.

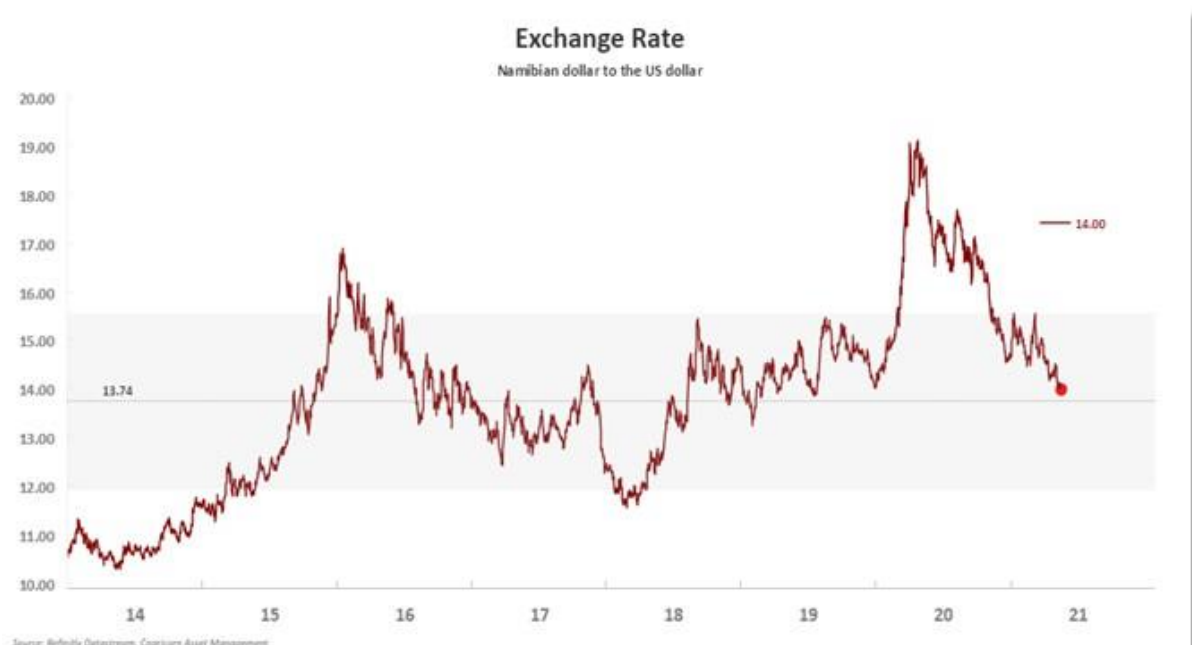
While cryptocurrencies were bruised by China's fresh ban on their transactions, they were not alone in facing pressure. Some commodities that have benefited from reflation trade have also lost steam, with U.S. lumber futures losing almost 25% in the last three sessions.

Oil prices pulled back also after media reports the United States and Iran have made progress on reviving a deal restricting the OPEC country's nuclear weapons development, a development that could lead to increased supply from Iran. U.S. crude futures dropped 0.9% to \$64.9 per barrel while Brent futures lost 0.9% to \$68.12 per barrel.

That helped to slightly ease inflation worries in the bond market. Ten-year U.S. inflation priced in the U.S. bond markets, based on the yield gap between inflation-protected bonds and conventional ones, ticked down to 2.55% from an eight-year high of around 2.58% hit earlier this month. The yield on 10-year U.S. Treasuries, or the nominal yield, stood little changed at 1.664%.

In the currency market, the dollar stayed under pressure as U.S. yields stayed flat. The euro hit a near-three-month high of \$1.2234 and last traded at \$1.2223 while the British pound also reached a high last seen in late February and changed hands at \$1.4191. The dollar stood at 108.92 yen after four straight sessions of decline.

Precious metals were solid, with gold hitting its highest level since late January and last stood at \$1,870 per ounce.



Domestic Markets

South Africa's rand firmed on Tuesday as increased risk appetite lured investors away from the safe-haven dollar, even though there was some caution ahead of a local lending rates decision later in the week. At 1500 GMT the rand was 0.74% firmer at 13.9975 per dollar.

Higher U.S. Treasury yields have hit demand for risk assets this year, but yields stalled on Tuesday as market participants grew increasingly confident that the Federal Reserve will hold off on hiking interest rates for the time being, despite worrisome near-term inflation spikes.

Caution ahead of a local decision on interest rates, due on Thursday, and consumer price-growth figures before that, has however limited the rand's gains, traders said.

In a poll by Reuters last week, all 25 economists surveyed saw the Monetary Policy Committee (MPC) of South Africa's Reserve Bank (SARB) keeping its repo rate unchanged at a record low 3.5% for a fifth straight meeting.

"Traders may prefer to sit on their hands until after the SARB provides fresh insights into its assessment of prevailing economic conditions and prospective monetary policy," said economists at ETM Analytics in a note.

Stocks were flat, with the rand lifting companies that tend to benefit when the currency is stronger, including retailers and financial firms. The Johannesburg Stock Exchange's Top-40 Index closed 0.01% higher at 61,190 points and the broader All-Share Index climbing 0.06% to 67,255 points.

Telkom, South Africa's leading landline operator part-owned by the state, rose almost 14% after flagging an expected 145% increase in full-year profits. Drinks maker Distell closed 5% higher after announcing it had been approached by Heineken about a possible acquisition of the majority of its business.

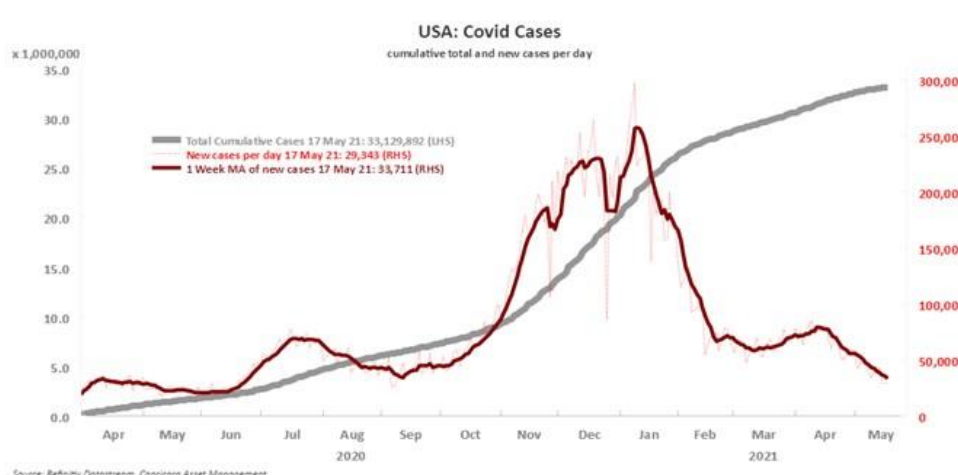
South African bonds firmed, with the yield on the benchmark 2030 government issue down 3.5 basis points to 9.075%.

Corona Tracker

| GLOBAL CASES | | 18-May-2021 | | 23:49 |
|------------------|-----------------|-------------|--------------|-----------------|
| SOURCE - REUTERS | | | | |
| | Confirmed Cases | New Cases | Total Deaths | Total Recovered |
| GLOBAL | 163,930,374 | 402,478 | 3,534,590 | 113,384,014 |

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

Source: Thomson Reuters



Market Overview

| MARKET INDICATORS (Thomson Reuters) | | | | 19 May 2021 | |
|-------------------------------------|---|------------|------------|-------------|--------------|
| Money Market TB Rates % | | Last close | Difference | Prev close | Current Spot |
| 3 months | ↓ | 3.99 | -0.026 | 4.02 | 3.99 |
| 6 months | ↔ | 4.26 | 0.000 | 4.26 | 4.26 |
| 9 months | ↓ | 4.44 | -0.042 | 4.48 | 4.44 |
| 12 months | ↓ | 4.57 | -0.005 | 4.57 | 4.57 |
| Nominal Bond Yields % | | Last close | Difference | Prev close | Current Spot |
| GC21 (Coupon 7.75%, BMK R208) | ↑ | 4.55 | 0.020 | 4.53 | 4.75 |
| GC22 (Coupon 8.75%, BMK R2023) | ↑ | 5.49 | 0.020 | 5.47 | 5.49 |
| GC23 (Coupon 8.85%, BMK R2023) | ↑ | 5.39 | 0.020 | 5.37 | 5.39 |
| GC24 (Coupon 10.50%, BMK R186) | ↓ | 7.68 | -0.025 | 7.71 | 7.68 |
| GC25 (Coupon 8.50%, BMK R186) | ↓ | 7.69 | -0.025 | 7.72 | 7.69 |
| GC26 (Coupon 8.50%, BMK R186) | ↓ | 7.69 | -0.025 | 7.72 | 7.69 |
| GC27 (Coupon 8.00%, BMK R186) | ↓ | 7.98 | -0.025 | 8.01 | 7.98 |
| GC30 (Coupon 8.00%, BMK R2030) | ↓ | 9.38 | -0.055 | 9.43 | 9.38 |
| GC32 (Coupon 9.00%, BMK R213) | ↓ | 10.44 | -0.035 | 10.47 | 10.44 |
| GC35 (Coupon 9.50%, BMK R209) | ↓ | 11.37 | -0.025 | 11.39 | 11.37 |
| GC37 (Coupon 9.50%, BMK R2037) | ↓ | 11.86 | -0.020 | 11.88 | 11.86 |
| GC40 (Coupon 9.80%, BMK R214) | ↓ | 12.68 | -0.010 | 12.69 | 12.67 |
| GC43 (Coupon 10.00%, BMK R2044) | ↓ | 12.98 | -0.015 | 13.00 | 12.98 |
| GC45 (Coupon 9.85%, BMK R2044) | ↓ | 13.26 | -0.015 | 13.28 | 13.26 |
| GC50 (Coupon 10.25%, BMK: R2048) | ↓ | 13.28 | -0.020 | 13.30 | 13.28 |
| Inflation-Linked Bond Yields % | | Last close | Difference | Prev close | Current Spot |
| GI22 (Coupon 3.55%, BMK NCPI) | ↔ | 3.89 | 0.000 | 3.89 | 3.96 |
| 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 | ↑ | 1,868 | 0.11% | 1,866 | 1,869 |
| Platinum | ↓ | 1,218 | -1.73% | 1,239 | 1,217 |
| Brent Crude | ↓ | 68.7 | -1.08% | 69.5 | 68.0 |
| Main Indices | | Last close | Change | Prev close | Current Spot |
| NSX Overall Index | ↑ | 1,435 | 0.47% | 1,429 | 1,435 |
| JSE All Share | ↑ | 67,255 | 0.06% | 67,217 | 67,255 |
| SP500 | ↓ | 4,128 | -0.85% | 4,163 | 4,128 |
| FTSE 100 | ↑ | 7,034 | 0.02% | 7,033 | 7,034 |
| Hangseng | ↑ | 28,594 | 1.42% | 28,194 | 28,594 |
| DAX | ↓ | 15,387 | -0.07% | 15,397 | 15,387 |
| JSE Sectors | | Last close | Change | Prev close | Current Spot |
| Financials | ↑ | 12,689 | 0.61% | 12,612 | 12,689 |
| Resources | ↑ | 70,784 | 0.17% | 70,663 | 70,784 |
| Industrials | ↓ | 83,774 | -0.25% | 83,982 | 83,774 |
| Forex | | Last close | Change | Prev close | Current Spot |
| N\$/US dollar | ↓ | 13.99 | -0.70% | 14.09 | 14.01 |
| N\$/Pound | ↓ | 19.85 | -0.33% | 19.92 | 19.88 |
| N\$/Euro | ↓ | 17.10 | -0.13% | 17.12 | 17.13 |
| US dollar/ Euro | ↑ | 1.222 | 0.57% | 1.215 | 1.223 |
| Interest Rates & Inflation | | Namibia | | RSA | |
| | | 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 |
| | | Apr 21 | Mar 21 | Mar 21 | Feb 21 |
| Inflation | ↑ | 3.9 | 3.1 | 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

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