

The Daily Brief



Market Update

Monday, 24 May 2021



Global Markets

Asian shares were mixed on Monday as investors awaited key U.S. inflation readings for guidance on monetary policy, while Bitcoin tried to steady after being hammered on news of China's clampdown on mining and trading of cryptocurrencies.

MSCI's broadest index of Asia-Pacific shares outside Japan dipped 0.1% in slow trade. Japan's Nikkei added 0.2% and Chinese blue chips 0.2%. Nasdaq futures rose 0.1% and S&P 500 futures firmed 0.3%. EUROSTOXX 50 futures and FTSE futures added 0.2%.

After surveys of the global service sectors out on Friday showed spectacular growth, all eyes will be on U.S. personal consumption and inflation figures this week. A high reading for the core inflation figures would ring alarms and could revive talk of an early tapering by the U.S. Federal Reserve. The diary has a crowd of Fed speakers this week, including the influential Fed Board Governor Lael Brainard, and markets will be keen to hear if they stick to the script on being patient with policy.

BofA's monthly Fund Manager survey found a record 69% of respondents expected above trend economic growth and inflation globally. As a result, managers had pushed into commodities and late-cyclicals, where overweight positions were close to 15-year highs, while the single most crowded trade was Bitcoin.

"With such bullish views on growth and inflation, the risk for investors is that growth slows and inflation proves temporary," BofA analysts said in a note. "Also, Tech, viewed as crowded fairly recently, is now back to an underweight and would likely benefit if inflation fears ebbed."

The crowded trade in Bitcoin left it vulnerable to a selloff as investors rushed to the exits en masse, seeing it down 50% from its all-time high. The cryptocurrency shed 13% on Sunday alone, but was last trading up 1.9% at \$35,350. It was hurt in part by China's crackdown on mining and trading of the largest cryptocurrency as part of ongoing efforts to prevent speculative and financial risks.

The major currencies were staid in comparison, with the euro holding at \$1.2184 after repeatedly failing to clear chart resistance around \$1.2244 last week. The dollar was idling on the yen at 108.84, pinned between support at 108.56 and resistance around 109.33. Against a basket of currencies, the dollar had steadied at 90.032 after hitting its lowest since January at 89.646 on Friday.

The softness of the dollar combined with concerns about inflation and the wild volatility of cryptocurrencies to put gold back into favour. The metal was last at \$1,884 an ounce, after reaching its highest since January. "The recent mix of strong U.S. CPI, weak employment, and Fed policymakers willing to let inflation overshoot while targeting the employment gap, could remain gold bullish for a while longer," said Michael Hsueh, commodities & FX strategist at Deutsche Bank.

"Gold's recovery has been associated with the strong rally in some parts of the commodities complex, increasingly represented by agriculture, metals and transport indices this year, and an eight-yr high in U.S. 10-year inflation expectations."

Oil prices edged higher as a storm formed in the Gulf of Mexico and Iran said a three-month nuclear monitoring deal had expired, raising doubts about the future of indirect talks that could end U.S. sanctions on Iranian crude exports. Brent was last up 40 cents at \$66.84 a barrel, while U.S. crude added 39 cents to \$63.97 per barrel.



Domestic Markets

South Africa's rand raced to its strongest in nearly 18 months on Friday, extending gains after the central bank said on Thursday it was ready to tighten monetary policy should a recent rise in consumer prices persist. By 1500 GMT, the rand was 0.21% firmer at 13.9400 against the dollar, trading at its strongest levels since late December 2019.

The South African Reserve Bank (SARB) left its repo rate unchanged at 3.5% in a unanimous decision on Thursday, saying the current lending rate was supportive of the economic recovery. It also said it was ready to act if the recent jump in inflation persisted.

"The rand has responded positively to the SARB policy update. The strong gains likely reflected in part a reversal of (Wednesday's) losses following the more hawkish-than-expected FOMC minutes," said analysts at London-based MUFG. "The combination of higher domestic yields and falling FX volatility is making the rand more attractive as a carry currency."

Investors' focus was also on an S&P Global Ratings credit rating review after the local market closes. The agency currently rates South Africa's long-term foreign-currency at BB-, three notches below investment grade, and local currency debt at BB, both with a stable outlook.

In the equities market, stocks ended the day firmer as Swiss luxury goods maker Richemont jumped after its results, offsetting a slide in property and technology stocks. The Johannesburg-listed shares of Cartier maker Richemont rose 4.76% to a record high as its net profit rose by a third in 2020/21, helped by a strong performance of its jewellery brands and a proposal to double its dividend.

Another notable gainer was insurer Old Mutual, up 2.28% after it said its measure of operating profit was up 48% in the three months to March 31, at 1.8 billion rand. Further gains on the main index were capped by weak property stocks as Fortress REIT Ltd shares fell 4.87% after it withdrew its previous dividend guidance. Arrowhead Properties fell 2.62% after flagging a 24% drop in half-year distributable income per B share.

Meanwhile technology investor Prosus NV and market heavy-weight parent Naspers were down 2.31% and 0.83% respectively, mirroring a decline in Chinese gaming and social media giant Tencent Holdings Ltd, in which Prosus holds a stake.

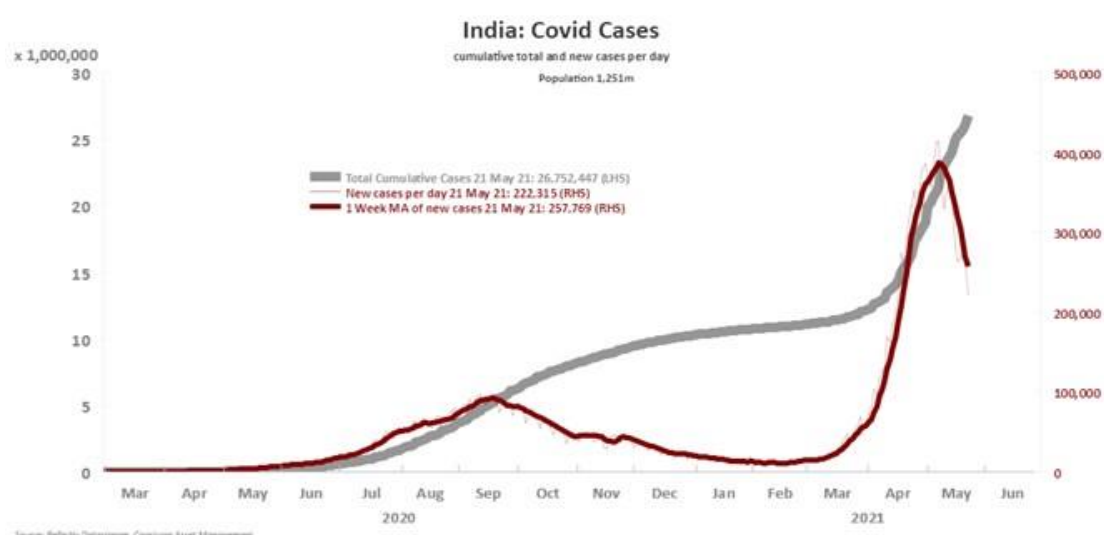
Overall, the Johannesburg All-Share index closed 0.17% firmer, while the Top-40 index climbed 0.24%. Bonds firmed, with the yield in the benchmark 2030 paper down 6 basis points to 8.99%.

Corona Tracker

GLOBAL CASES SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	167,195,087	222,315	3,601,897	117,062,193

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

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)				24 May 2021	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	→	3.99	0.000	3.99	3.99
6 months	→	4.27	0.000	4.27	4.27
9 months	↓	4.47	-0.008	4.47	4.47
12 months	↓	4.57	-0.009	4.58	4.57
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	↓	4.55	-0.024	4.57	4.56
GC22 (Coupon 8.75%, BMK R2023)	↑	5.53	0.015	5.52	5.51
GC23 (Coupon 8.85%, BMK R2023)	↑	5.43	0.015	5.42	5.41
GC24 (Coupon 10.50%, BMK R186)	↓	7.61	-0.045	7.66	7.59
GC25 (Coupon 8.50%, BMK R186)	↓	7.62	-0.045	7.67	7.60
GC26 (Coupon 8.50%, BMK R186)	↓	7.62	-0.045	7.67	7.60
GC27 (Coupon 8.00%, BMK R186)	↓	7.91	-0.045	7.96	7.89
GC30 (Coupon 8.00%, BMK R2030)	↓	9.29	-0.060	9.35	9.27
GC32 (Coupon 9.00%, BMK R213)	↓	10.33	-0.050	10.38	10.29
GC35 (Coupon 9.50%, BMK R209)	↓	11.27	-0.040	11.31	11.25
GC37 (Coupon 9.50%, BMK R2037)	↓	11.77	-0.035	11.80	11.74
GC40 (Coupon 9.80%, BMK R214)	↓	12.58	-0.035	12.61	12.56
GC43 (Coupon 10.00%, BMK R2044)	↓	12.88	-0.045	12.92	12.85
GC45 (Coupon 9.85%, BMK R2044)	↓	13.16	-0.045	13.20	13.13
GC50 (Coupon 10.25%, BMK: R2048)	↓	13.17	-0.040	13.21	13.14
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	→	3.96	0.000	3.96	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	↑	1,880	0.19%	1,877	1,882
Platinum	↓	1,167	-2.47%	1,196	1,165
Brent Crude	↑	66.4	2.04%	65.1	67.1
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,399	0.38%	1,394	1,399
JSE All Share	↑	66,239	0.17%	66,124	66,239
SP500	↓	4,156	-0.08%	4,159	4,156
FTSE 100	↓	7,018	-0.02%	7,020	7,018
Hangseng	↑	28,458	0.03%	28,450	28,384
DAX	↑	15,438	0.44%	15,370	15,438
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	12,839	0.87%	12,729	12,839
Resources	↓	67,118	-0.58%	67,509	67,118
Industrials	↑	84,155	0.60%	83,655	84,155
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	13.96	-0.09%	13.97	13.93
N\$/Pound	↓	19.74	-0.39%	19.82	19.72
N\$/Euro	↓	17.00	-0.48%	17.08	16.99
US dollar/ Euro	↓	1.218	-0.38%	1.223	1.219
		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
		Apr 21	Mar 21	Apr 21	Mar 21
Inflation	↑	3.9	3.1	4.4	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



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