

The Daily Brief



Market Update

Monday, 26 October 2020



Global Markets

- Asia markets falter, S&P 500 stock futures off 0.5%
- Unease over record new coronavirus cases in Europe, U.S.
- Eyes this week on central bank meetings, U.S. GDP data

Asian shares got off to a subdued start on Monday as surging coronavirus cases in Europe and the United states threatened the global outlook, while China's leaders meet to ponder the future of the economic giant.

The United States has seen its highest ever number of new COVID-19 cases in the past two days, while France also set unwanted case records and Spain announced a state of emergency. That combined with no clear progress on a U.S. stimulus package to pull S&P 500 futures down 0.5%. EUROSTOXX 50 futures eased 0.4% and FTSE futures 0.3%.

MSCI's broadest index of Asia-Pacific shares outside Japan went flat, still short of its recent 31-month peak. Japan's Nikkei dithered either side of steady, and South Korea's main index lost 0.3%. Chinese

blue chips shed 1.1% as the country's leaders met to chart the nation's economic course for 2021-2025, balancing growth with reforms amid an uncertain global outlook and deepening tensions with the United States.

A packed week for monetary policy sees three major central banks hold meetings. The Bank of Canada and Bank of Japan are expected to hold fire for now, while the market assumes the European Central Bank will sound cautious on inflation and growth even if they skip a further easing.

Data due out Thursday is forecast to show U.S. economic output rebounded by 31.9% in the third quarter, after the second's quarter's historic collapse, led by consumer spending. Analysts at Westpac noted that such a bounce would still leave GDP around 4% lower than at the end of last year, with business investment still lagging badly. "To fully recover the activity lost, additional meaningful fiscal stimulus is a must," they argued in a note.

The U.S. Presidential election will again loom large as markets move to price in the chance of a Democratic president and Congress, which would likely lead to more government spending and borrowing down the road. That outlook drove U.S. 10-year Treasury yields to their highest since early June last week at 0.8720% US19YT=RR. They were trading at 0.83% on Monday.

"We have raised the probability of a Democratic sweep, already our base case, from 40% to just over 50% and have increased our expectation of Biden to win from 65% to 75%," wrote analysts at NatWest Markets in a note. "We see steeper U.S. yield curves and a weaker USD as likely to prevail in our base case."

The dollar was flatlining on Monday, having fallen broadly last week. The euro was holding at \$1.1840 and just under its recent top of \$1.1880, while the dollar was pinned at 104.80 yen and not far from last week's trough of 104.32. The dollar index was a fraction firmer at 92.904, after shedding almost 1% last week.

In commodity markets, gold edged down 0.1% to \$1,898 an ounce. Oil prices fell further in anticipation of a surge in Libyan crude supply and demand concerns caused by surging coronavirus cases in the United States and Europe. Brent crude futures lost 65 cents to \$41.12 a barrel, while U.S. crude fell 69 cents to \$39.16.

Domestic Markets

South Africa's rand steadied in early trade on Friday but was on track to clock weekly gains as optimism about a new stimulus package in the United States boosted risk taking.

At 1700 GMT, the rand traded at 16.2200 versus the U.S. dollar, 0.09% firmer and not far off its previous close of 16.2350. The currency, which rallied to its best in a month on Thursday, looked set for weekly gains of more than 1.5%.

Hopes for a new U.S. novel coronavirus relief package ahead of the Nov. 3 presidential election remain up in the air, but optimism that the stimulus discussions will soon be concluded has kept high yielding currencies bid with investors scouring the global market for returns.

"The short-term technical indicators suggest the possibility of an attempt on the 16.000 level at some point, although there is likely to be some position squaring going into the weekend," said analysts at Nedbank.

Local focus is on the medium term budget speech due on Wednesday, when the extent of South Africa's fiscal problems should become clearer. A Reuters poll showed that the country's

consolidated fiscal deficit was set to widen further than projected in June's emergency COVID-19 budget as a third-quarter rebound in economic growth will not boost tax receipts enough.

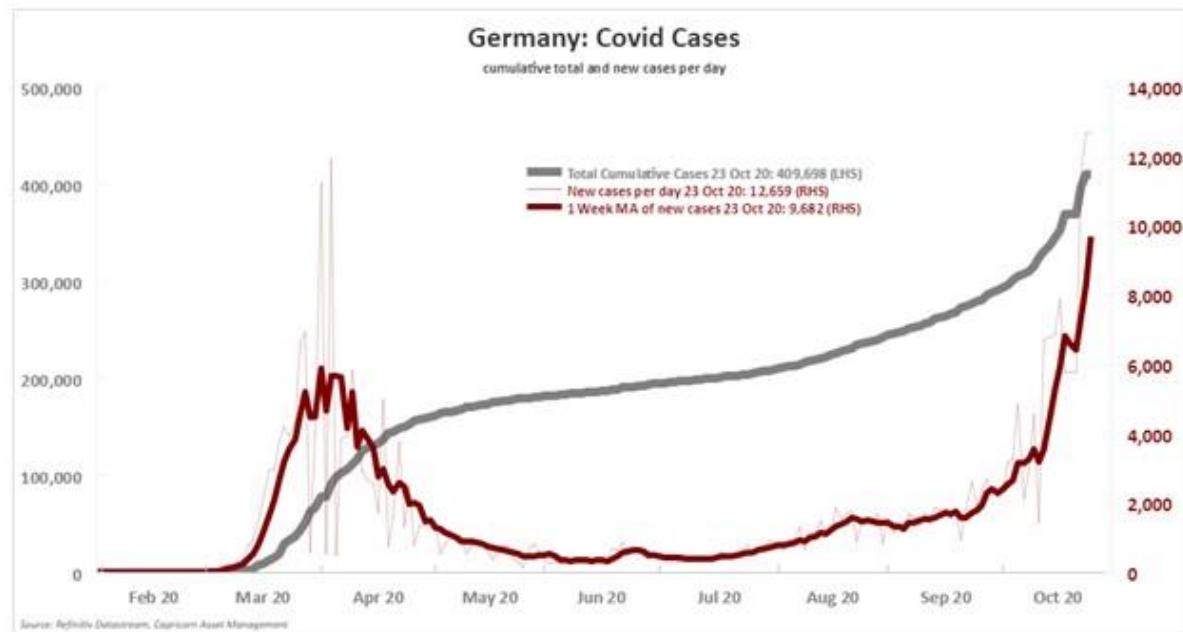
On the bourse, stocks gained as global markets were boosted by optimism that a deal can be reached on a fresh U.S. coronavirus relief package. The benchmark Top-40 index closed 0.83% firmer at 50,692 points and the All-Share index rose 0.99% to 55,339 points.

"The market is waiting for the stimulus package from the U.S. The longer it waits for the stimulus, the more uncertainty (there) is in gold and platinum prices," said Greg Davies, trader at Cratos Capital. Amongst the decliners were gold shares, which fell 2.24%, as spot gold eased.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		26-Oct-2020	6:47
	Confirmed Cases	New Cases	Total Deaths
GLOBAL	42,904,143	2,940	1,151,929
Total Recovered	29,409,043		



The worst form of inequality is to try to make unequal things equal.

Aristotle

Market Overview

Market Indicators (Thomson Reuters)		26 October 2020			
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↗	3.85	0.000	3.85	3.85
6 months	↗	3.90	0.000	3.90	3.90
9 months	↑	3.89	0.009	3.88	3.89
12 months	↑	3.82	0.008	3.81	3.82
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	↑	4.05	0.020	4.03	4.05
GC22 (Coupon 8.75%, BMK R2023)	↑	5.04	0.050	4.99	5.04
GC23 (Coupon 8.85%, BMK R2023)	↑	4.94	0.050	4.89	4.94
GC24 (Coupon 10.50%, BMK R186)	↑	7.39	0.065	7.33	7.39
GC25 (Coupon 8.50%, BMK R186)	↑	7.40	0.065	7.34	7.40
GC26 (Coupon 8.50%, BMK R186)	↑	7.40	0.065	7.34	7.40
GC27 (Coupon 8.00%, BMK R186)	↑	7.69	0.065	7.63	7.69
GC30 (Coupon 8.00%, BMK R2030)	↑	9.59	0.015	9.57	9.59
GC32 (Coupon 9.00%, BMK R213)	↑	10.69	0.005	10.69	10.69
GC35 (Coupon 9.50%, BMK R209)	↓	11.74	-0.020	11.76	11.74
GC37 (Coupon 9.50%, BMK R2037)	↓	12.47	-0.025	12.50	12.47
GC40 (Coupon 9.80%, BMK R214)	↓	13.09	-0.005	13.10	13.09
GC43 (Coupon 10.00%, BMK R2044)	↓	13.60	-0.040	13.64	13.60
GC45 (Coupon 9.85%, BMK R2044)	↓	13.88	-0.040	13.92	13.88
GC50 (Coupon 10.25%, BMK R2048)	↓	13.95	-0.005	13.96	13.95
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)	↗	4.49	0.000	4.49	4.49
GI29 (Coupon 4.50%, BMK NCPI)	↗	5.91	0.000	5.91	4.60
GI33 (Coupon 4.50%, BMK NCPI)	↓	6.76	-0.057	6.82	6.76
GI36 (Coupon 4.80%, BMK NCPI)	↓	7.02	-0.067	7.09	7.02
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,901	-0.17%	1,904	1,897
Platinum	↑	902	1.90%	885	887
Brent Crude	↓	41.8	-1.63%	42.5	41.0
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,133	2.71%	1,103	1,133
JSE All Share	↑	55,340	0.99%	54,796	55,340
SP500	↑	3,465	0.34%	3,453	3,465
FTSE 100	↑	5,860	1.29%	5,786	5,860
Hangseng	↑	24,919	0.54%	24,786	24,919
DAX	↑	12,646	0.82%	12,543	12,646
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	10,791	3.99%	10,376	10,791
Resources	↓	52,562	-0.49%	52,819	52,562
Industrials	↑	74,906	1.05%	74,131	74,906
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	16.18	-0.09%	16.20	16.19
N\$/Pound	↓	21.10	-0.41%	21.19	21.08
N\$/Euro	↑	19.19	0.26%	19.14	19.16
US dollar/ Euro	↑	1.186	0.36%	1.182	1.183
Interest Rates & Inflation		Namibia		RSA	
Central Bank Rate		Latest	Previous	Latest	Previous
Prime Rate		3.75	4.00	3.50	3.75
Inflation		Sep 20	Aug 20	Aug 20	Jul 20
		2.4	2.4	3.1	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: Bloomberg



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