



Market Update

Thursday, 01 April 2021



Global Markets

Stocks crept higher on Thursday following their weakest quarter in a year, while higher Treasury yields supported the dollar, as investors parsed the details of a \$2 trillion U.S. government spending plan and hoped for strong jobs data later in the week.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.6% after a modest drop on Wednesday. Japan's Nikkei rose 1.3% as a survey showed big manufacturers' mood bouncing back to pre-pandemic levels.

Ten-year U.S. Treasuries, which had suffered their biggest selloff in a dozen years last quarter, remained under pressure and yields crept as high as 1.753%, while the dollar stood just shy of a one-year peak on the yen at 110.685.

On the heels of a \$1.9 trillion pandemic relief package, President Joe Biden on Wednesday outlined a broad plan to re-make the world's biggest economy including spending on roads, railways, broadband, clean energy and semiconductor manufacture. "We'll probably see more spending power from the stimulus than drag from the (accompanying) taxes," said Jun Bei Liu, portfolio manager at Tribeca Investment Partners in Sydney. "And if anything the higher taxes probably limit

future inflationary pressure, and in a strange way might even help bond yields to stabilise where they are."

It is not clear if the plan could clear Congress, since it has had an icy reception from Republicans, however, the breadth of the proposed spending did help draw investors back to technology shares overnight, and the Nasdaq rose 1.5%. Biden's plan includes a \$174 billion investment in electric vehicles, and Tesla led gains with a 5% jump, while Apple rose 1.9% and Microsoft lifted 1.7%. "We're just seeing a bit of momentum in people picking up some of the left-behind sectors, which is growth, and that will flow through into Asia."

U.S. markets had closed out the quarter with gains - the S&P 500 rose 5.8% and the Dow Jones 7.8% over the three months - however the 4.1% quarterly rise in world stocks was the slowest since the recovery from last March's meltdown had begun. This has come with growing concern about hiccups in the vaccine rollout and a fresh wave of coronavirus infections, particularly in Europe where on Wednesday France ordered a third national lockdown.

The euro has been punished as the pandemic turns resurgent on the continent, and was clinging on at \$1.1729 in Asia while investors awaited Friday's U.S. labour market data to assess the growing gap in recoveries astride the Atlantic Ocean. There are also other signs of fragility in sentiment and rising risk. The flop listing of food delivery company Deliveroo, which fell by nearly a third on debut in London, is a far cry from the frenzy that sent U.S. new-economy names Airbnb and DoorDash soaring on debut last year.

Investors are jittery about the fallout from the fire sale of holdings by stricken asset manager Archegos Capital, which has walloped the stocks involved and shares in some of Archegos' brokers, Credit Suisse and Nomura.

Australia's fastest home-price gains in more than three decades last month also point to some of the side effects of ultra-easy monetary policy, possibly putting pressure on central banks to curtail support sooner than they had planned.

Risk-sensitive currencies and commodities reflected the caution, and the Australian and New Zealand dollars, each weakened about 0.2% on Thursday. Crude oil prices nursed overnight losses with Brent futures rebounding about 0.5% to \$63.03 a barrel and U.S. crude up 0.6% at \$59.52. Gold, which pays no income, was mostly flat after an overnight bounce above \$1,700. Even so, it suffered its worst quarter since late 2016 owing to the rise in U.S. yields.



Domestic Markets

South Africa's rand rallied to its best in a week on Wednesday, after data showed the trade surplus widened in February on increased export activity. At 1500 GMT the rand was 1% firmer at 14.7675 against the U.S. dollar, and trading at levels last touched on March 23.

South Africa's trade surplus widened to 28.96 billion rand (\$1.96 billion) in February from a revised surplus of 12.42 billion rand in January, data from the revenue service showed.

The rand is one of the high-yielding currencies hit by the dollar's recent strength and has been volatile this week, weakening on some days as a patchy recovery reflected in local economic data and a slow rollout of vaccines stifled demand.

"Yield seekers, coupled with thinning markets ahead of the long weekend and month-end trading, led to the rand breaking below R14.80/\$," said Paul Muller, executive director at Citadel Global.

Shares on the Johannesburg Stock Exchange (JSE) closed lower on Wednesday as sustained high Treasury yields in the U.S. raised fears of rising borrowing costs for companies and inflow of funds into high-yield frontier markets. The benchmark FTSE/JSE all-share index slipped by 1.2% to close at 66,485 points while the bluechip FTSE/JSE top-40 companies' index ended down 1.15% to 60,881 points.

Banks reported the biggest fall among major sector indexes on worries the local economy would suffer if interest rates go up on the back of rising U.S. Treasury yields, analysts said. The bank index fell 2.23% but mining companies, especially those mining precious metals such as platinum and gold firmed up.

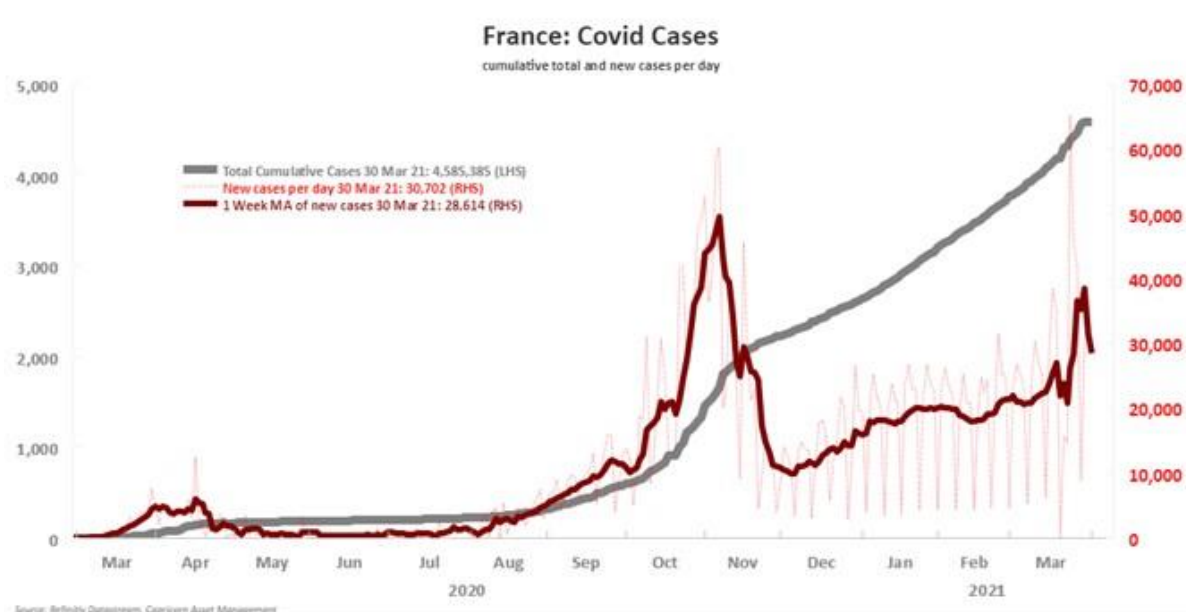
Bonds firmed, with the yield on the benchmark 2030 issue down 6 basis points to 9.48%.

Corona Tracker

GLOBAL CASES		01-Apr-2021		3:48
SOURCE - REUTERS		Confirmed Cases	New Cases	Total Deaths
		Total Recovered		
GLOBAL	128,537,621	332,153	2,935,192	84,951,064

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

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)				01 April 2021	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	⇒	4.20	0.000	4.20	4.20
6 months	⇒	4.43	0.000	4.43	4.43
9 months	⇒	4.78	0.000	4.78	4.78
12 months	⇓	4.88	-0.010	4.89	4.88
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	⇒	4.44	0.000	4.44	4.44
GC22 (Coupon 8.75%, BMK R2023)	⇓	5.97	-0.085	6.05	5.97
GC23 (Coupon 8.85%, BMK R2023)	⇓	5.87	-0.085	5.95	5.87
GC24 (Coupon 10.50%, BMK R186)	⇓	7.78	-0.065	7.84	7.78
GC25 (Coupon 8.50%, BMK R186)	⇓	7.79	-0.065	7.85	7.79
GC26 (Coupon 8.50%, BMK R186)	⇓	7.79	-0.065	7.85	7.79
GC27 (Coupon 8.00%, BMK R186)	⇓	8.08	-0.065	8.14	8.08
GC30 (Coupon 8.00%, BMK R2030)	⇓	9.79	-0.065	9.85	9.79
GC32 (Coupon 9.00%, BMK R213)	⇓	10.88	-0.075	10.95	10.88
GC35 (Coupon 9.50%, BMK R209)	⇓	11.91	-0.090	12.00	11.91
GC37 (Coupon 9.50%, BMK R2037)	⇓	12.45	-0.090	12.54	12.45
GC40 (Coupon 9.80%, BMK R214)	⇓	13.18	-0.075	13.25	13.18
GC43 (Coupon 10.00%, BMK R2044)	⇓	13.50	-0.080	13.58	13.50
GC45 (Coupon 9.85%, BMK R2044)	⇓	13.78	-0.080	13.86	13.78
GC50 (Coupon 10.25%, BMK: R2048)	⇓	13.80	-0.090	13.89	13.80
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)	⇒	4.05	0.000	4.05	4.05
GI29 (Coupon 4.50%, BMK NCPI)	⇒	5.73	0.000	5.73	5.73
GI33 (Coupon 4.50%, BMK NCPI)	⇑	6.85	0.062	6.79	6.85
GI36 (Coupon 4.80%, BMK NCPI)	⇒	7.35	0.000	7.35	7.35
Commodities		Last close	Change	Prev close	Current Spot
Gold	⇑	1,707	1.32%	1,685	1,711
Platinum	⇑	1,187	2.84%	1,155	1,180
Brent Crude	⇓	63.5	-0.94%	64.1	63.1
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⇓	1,338	-1.45%	1,358	1,338
JSE All Share	⇓	66,485	-1.20%	67,292	66,485
SP500	⇑	3,973	0.36%	3,959	3,973
FTSE 100	⇓	6,714	-0.86%	6,772	6,714
Hangseng	⇓	28,378	-0.70%	28,578	28,700
DAX	⇓	15,008	0.00%	15,009	15,008
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⇓	12,268	-2.25%	12,550	12,268
Resources	⇓	66,664	-0.31%	66,869	66,664
Industrials	⇓	87,397	-1.47%	88,705	87,397
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⇓	14.77	-0.98%	14.91	14.83
N\$/Pound	⇓	20.35	-0.69%	20.49	20.41
N\$/Euro	⇓	17.32	-0.86%	17.47	17.37
US dollar/ Euro	⇑	1.173	0.12%	1.171	1.172
		Namibia		RSA	
Interest Rates & Inflation		Mar 21	Feb 21	Mar 21	Feb 21
Central Bank Rate	⇒	3.75	3.75	3.50	3.50
Prime Rate	⇒	7.50	7.50	7.00	7.00
		Feb 21	Jan 21	Feb 21	Jan 21
Inflation	⇒	2.7	2.7	2.9	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



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**
