



Market Update

Monday, 01 March 2021



Global Markets

Asian shares rallied on Monday as some semblance of calm returned to bond markets after last week's wild ride, while progress in the huge U.S. stimulus package underpinned optimism about the global economy and sent oil prices higher.

China's official manufacturing PMI out over the weekend missed forecasts, but Japanese figures showed the fastest growth in two years. Investors are also counting on upbeat news from a raft of U.S. data due this week including the February payrolls report.

Helping sentiment was news that deliveries of the newly approved Johnson & Johnson COVID-19 vaccine should start on Tuesday.

MSCI's broadest index of Asia-Pacific shares outside Japan edged up 1%, after shedding 3.7% last Friday. Japan's Nikkei rallied 2.1%, while Chinese blue chips added 0.8%. NASDAQ futures bounced 1.2% and S&P 500 futures 0.8%. EUROSTOXX 50 futures and FTSE futures both rose 1.0%.

Yields on U.S. 10-year notes held at 1.40%, from last week's peak of 1.61%. They climbed 11 basis points last week to be up 50 basis points on the year so far. "The bond moves on Friday still feel like

a pause for air, rather than the catalyst for a move towards calmer waters," said Rodrigo Catril, a senior strategist at NAB. "Market participants remain nervous over the prospect of higher inflation as economies look to reopen aided by vaccine roll outs, high levels of savings along with solid fiscal and monetary support."

Analysts at BofA noted the bond bear market was now one of the most severe on record with the annualised price return from 10-year U.S. govt bonds down 29% since last August, with Australia off 19%, the UK 16% and Canada 10%. The rout owed much to expectations of faster U.S. growth as the House passed President Joe Biden's \$1.9 trillion coronavirus relief package, sending it to Senate.

BofA's U.S. Economist Michelle Meyer lifted her forecast for economic growth to 6.5% for this year and 5% next, due to the likelihood of the larger stimulus package, better news on the virus front and encouraging data. U.S. virus cases were also down 72% since a Jan. 12 peak and hospitalisations are following closely behind, BofA added.

Higher U.S. yields combined with the general shift to safety helped the dollar index rebound to 90.787 from a seven-week low of 89.677. On Monday, the euro was steady at \$1.2083, compared to last week's peak of \$1.2242, while the dollar held near a six-month top on the yen at 106.60. "Riskier" currencies and those exposed to commodities bounced a little after taking a beating late last week, with the Australian and Canadian dollars up and emerging market currencies from Brazil to Turkey looking steadier.

Non-yielding gold was still nursing losses after hitting an eight-month low on Friday en route to its worst month since November 2016. It was last at \$1,750 an ounce, just above a trough around \$1,716. Oil prices extended their gains ahead of an OPEC meeting this week where supply could be increased. Brent gained 4.8% last week and WTI 3.8%, while both were about 20% higher over February as a whole. Brent was last up \$1.11 at \$65.53, while U.S. crude rose \$1.04 to \$62.54 per barrel.



Domestic Markets

South Africa's rand firmed on Friday in a recovery rally after a jump in U.S. treasury yields triggered a sharp slide in the previous session to a three-week low.

At 1511 GMT the rand was 0.37% stronger against the dollar at 15.0650, having slipped more than 4% on Thursday to its weakest since Feb. 4 as the U.S. currency topped multi-month highs.

The yield benchmark 2030 government bond, which touched its weakest level in nearly four months earlier in the session at 9.235%, trimmed the losses to 9.020%.

The rand enjoyed a brief rally this week, reaching a 13-month best, after Wednesday's budget speech showed a slightly faster economic rebound.

But the cheer soon faded as investors, who have been lured to local assets by the high yield on offer, began to price in an expected unwinding of fiscal and monetary stimulus in the United States and elsewhere among developed economies.

Government bonds in the United States, particularly U.S. Treasuries, have become a focal point for global markets after traders aggressively moved to price in earlier monetary tightening than signalled by the U.S. Federal Reserve and peers.

"The high real yields SA offers are hard to come by these days, meaning they will continue to attract hot money until interest rate differentials begin to narrow once more, but they do hold significant risk and will experience high degrees of volatility," said economists at ETM Analytics.

Stocks came under pressure on Friday along with other emerging markets, with the MSCI's Emerging Markets equity index suffering its biggest daily drop in nearly 10 months. The Johannesburg All-share index, which had risen for the last two sessions, fell 1.91% to 66,194 points, while the Top-40 index ended 2% weaker at 60,820 points.

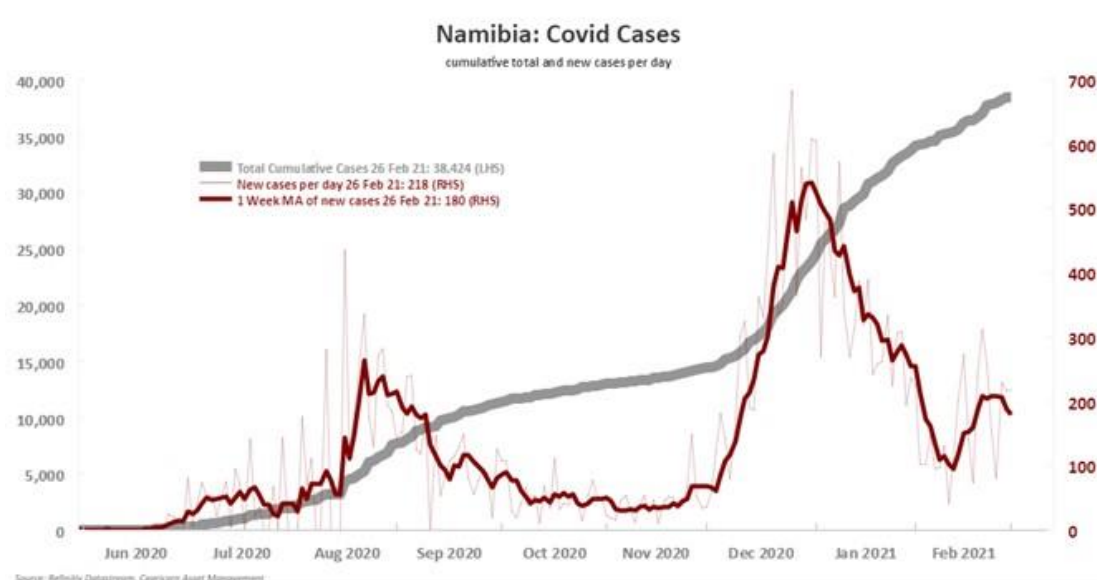
Platinum miners were among the fallers on the day with the sector down 3.73% on the back of a weaker price for platinum and palladium. Precious metals producers Anglo American Platinum fell 2.33%, Impala Platinum weakened 2.59% and Sibanye Stillwater closed 6.23% lower.

Corona Tracker

GLOBAL CASES		01-Mar-2021		5:32
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	114,117,847	234,257	2,635,198	75,524,151

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

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)				01 March 2021	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	⇒	4.16	0.000	4.16	4.16
6 months	↑	4.56	0.017	4.54	4.56
9 months	↑	4.65	0.033	4.62	4.65
12 months	↑	4.81	0.067	4.75	4.81
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	↑	4.38	0.030	4.35	4.15
GC22 (Coupon 8.75%, BMK R2023)	↓	5.91	-0.080	5.99	5.97
GC23 (Coupon 8.85%, BMK R2023)	↓	5.81	-0.080	5.89	5.87
GC24 (Coupon 10.50%, BMK R186)	↑	7.64	0.030	7.61	7.70
GC25 (Coupon 8.50%, BMK R186)	↑	7.65	0.030	7.62	7.71
GC26 (Coupon 8.50%, BMK R186)	↑	7.65	0.030	7.62	7.71
GC27 (Coupon 8.00%, BMK R186)	↑	7.94	0.030	7.91	8.00
GC30 (Coupon 8.00%, BMK R2030)	↑	9.34	0.035	9.31	9.40
GC32 (Coupon 9.00%, BMK R213)	↓	10.37	-0.005	10.38	10.43
GC35 (Coupon 9.50%, BMK R209)	↓	11.24	-0.020	11.26	11.28
GC37 (Coupon 9.50%, BMK R2037)	↓	11.78	-0.025	11.81	11.88
GC40 (Coupon 9.80%, BMK R214)	↓	12.58	-0.030	12.61	12.62
GC43 (Coupon 10.00%, BMK R2044)	↓	12.88	-0.050	12.93	12.93
GC45 (Coupon 9.85%, BMK R2044)	↓	13.16	-0.050	13.21	13.21
GC50 (Coupon 10.25%, BMK: R2048)	↓	13.20	-0.035	13.24	13.24
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	⇒	4.20	0.000	4.20	4.20
GI25 (Coupon 3.80%, BMK NCPI)	⇒	4.25	0.000	4.25	4.25
GI29 (Coupon 4.50%, BMK NCPI)	⇒	5.69	0.000	5.69	5.69
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	↓	1,733	-2.06%	1,770	1,749
Platinum	↓	1,189	-2.27%	1,216	1,219
Brent Crude	↓	66.1	-1.12%	66.9	65.5
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,335	-3.95%	1,390	1,335
JSE All Share	↓	66,138	-1.99%	67,484	66,138
SP500	↓	3,811	-0.48%	3,829	3,811
FTSE 100	↓	6,483	-2.53%	6,652	6,483
Hangseng	↓	28,980	-3.64%	30,074	29,381
DAX	↓	13,786	-0.67%	13,879	13,786
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	12,200	-1.09%	12,334	12,200
Resources	↓	67,460	-4.14%	70,372	67,460
Industrials	↓	86,144	-0.81%	86,844	86,144
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	15.10	0.59%	15.01	15.09
N\$/Pound	↑	21.03	0.01%	21.03	21.09
N\$/Euro	↓	18.23	-0.25%	18.28	18.23
US dollar/ Euro	↓	1.207	-0.84%	1.218	1.208
		Namibia		RSA	
Interest Rates & Inflation		Dec 20	Nov 20	Dec 20	Nov 20
Central Bank Rate	⇒	3.75	3.75	3.50	3.50
Prime Rate	⇒	7.50	7.50	7.00	7.00
		Jan 21	Dec 20	Jan 21	Dec 20
Inflation	↑	2.7	2.4	3.2	3.1

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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