



## Market Update

Wednesday, 01 July 2020

### Global Markets

Asian stocks struggled for headway on Wednesday as the second half of the year got underway, with improving economic data offset by worries that surging coronavirus cases in the United States could derail the world's recovery before it properly begins.

Following firm U.S. housing data and signs of a rebound in Europe's economy, the latest boost to sentiment came from Chinese factory activity gathering steam in June, with the Caixin/Markit manufacturing PMI rising to 51.2 compared with expectations for 50.5. But virus cases surged, too, with the U.S. recording 47,000 infections on Tuesday, its biggest single-day spike since the pandemic began.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.4%, led by gains in Korea and China. Japan's Nikkei slipped 0.2%, though, U.S. stock futures fell 0.3% and gold sat close to an eight-year peak, pointing to elevated caution.

The moves follow a strong finish to the quarter on Wall Street and also a loss of momentum in recent weeks as U.S. infection rates have surged, with some states reimposing restrictions on business and personal activity. The S&P 500 index rose 1.5% for an almost 20% gain over the past three months, fuelled by unprecedented central bank stimulus and hopes for a swift pandemic recovery, but it rose only 1.8% in June.

Coronavirus cases more than doubled in 14 U.S. states last month, a Reuters analysis showed, and fears are growing that the caseload could prompt fresh lockdowns. "Clearly we are not in total control right now," the country's top infectious disease expert, Anthony Fauci, told a Senate committee on Tuesday, adding that cases could increase by as much as 100,000 daily if the outbreak is not contained.

The surge has prompted California, Texas and Florida to shut recently re-opened bars in the last few days, while Australia has locked-down parts of its second-biggest city, Melbourne, to try and stop a spike in cases there. "The rise in COVID-19 infections is now triggering a reversal on the reopening strategy," said Rodrigo Catril, senior FX strategist at National Australia Bank in Sydney. "It remains to be seen if the U.S economy will continue to surprise over the coming month."

The U.S. government bond market remains in a cautious mood. Yields on benchmark 10-year government debt rose overnight to 0.6774%, but finished the quarter steady.

On top of virus worries, China's introduction of sweeping new laws to crack down on dissent in Hong Kong also has investors eyeing geopolitical tensions with trepidation. The laws have already prompted Washington to begin dismantling Hong Kong's special status under U.S. law. "It has not taken people by surprise, but it's an unwelcome development," said Imre Speizer, a foreign exchange strategist at Westpac in Auckland. "It's one of a number of geopolitical factors which is a negative for some asset classes now."

Currency markets were in a holding pattern ahead of the next slew of data due to provide a snapshot of the U.S. recovery. The dollar held gains against most majors and slipped on the safe-haven yen, last buying 107.68 yen and trading at \$0.6909 per Australian dollar.

U.S. manufacturing activity data due later in the day, is forecast to show a recovery from a 11-year low in April while the non-farm payrolls report on Thursday is expected to show the economy added 3 million jobs in June.

Elsewhere sterling rebounded from near a one-month low on Tuesday and hung on to most of that ground at \$1.2382. Gold hovered near an 8-year high at \$1780.64 an ounce. Brent crude rose 43 cents or 1% to \$41.70 a barrel, while U.S. crude was up 1.3% at \$39.76 a barrel.

## **Domestic Markets**

South Africa's rand fell against the U.S. dollar on Tuesday as data showed the domestic recession deepened in the first quarter of this year - before the coronavirus pandemic hit the country and put further strain on the economy. At 1500 GMT, the rand was 0.65% weaker at 17.3725 per dollar.

Statistics South Africa said that first-quarter gross domestic product contracted 2% from the previous three months, led by declines in mining and manufacturing. The economic outlook remains gloomy after a strict coronavirus lockdown imposed in late March piled more pressure on businesses and consumers.

"Not much has changed since Q1, except that thousands of jobs have most likely been lost, numerous businesses have most likely closed shop, while the country continues to struggle with a severe health crisis," said Jacques Nel of research firm NKC African Economics.

Stocks this week continued to buck the global trend with the FTSE/JSE All Share index going up 0.41% to close at 54,362 points on Tuesday. The top 40 companies index closed up 0.51% at 50,175 points. Bonds weakened, with the yield on the benchmark government issue due in 2030 up 9.5 basis points to 9.265%.

## **South Africa's recession**

South Africa's recession deepened in the first quarter of 2020, with official data on Tuesday showing that gross domestic product contracted 2% from the previous three months, led by declines in mining and manufacturing.

The economy was already frail before the coronavirus pandemic hit South Africa in March, with January-March being the third consecutive quarter of contraction and following a 1.4% decline in GDP in October-December.

Tuesday's data nevertheless beat analysts' expectations for a contraction of 3.8% in the first quarter. "While this was nowhere near as bad as the market had feared, there is little in the data to be upbeat about," said Razia Khan, chief economist for Africa and the Middle East at Standard Chartered. "The year/year decline was modest, with the return of growth in agriculture providing

some support. But the read-across to other sectors, and the expenditure breakdown of GDP, provides plenty of reason to be concerned."

Statistics South Africa said mining contracted by 21.5% in January-March, while manufacturing was down 8.5%. Compared to the same period a year ago, GDP shrank 0.1% in the first quarter after a 0.5% decline in Q4 2019.

A strict nationwide lockdown from late March has been partially eased to allow key sectors like mining, manufacturing and retail to resume operations, but the outlook remains gloomy. The Treasury sees GDP contracting by 7.2% this year.

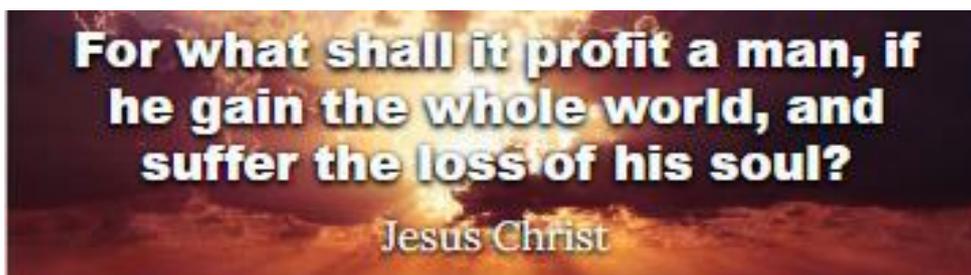
First-quarter spending in the economy shrank 2.3% compared with October-December, Stats SA said. Then, it had contracted 1.2% from the prior quarter. While household expenditure grew 0.7% and government expenditure was up 1.1% in the quarter, gross fixed capital formation shrank by 20.5%.

"Tentative green shoots of consumer recovery will have been completely overridden by the COVID crisis, and rise in joblessness since then," Khan said. "When an economy's starting point -- even prior to the COVID lockdown -- is an unemployment rate that is over 30%, it is difficult to imagine what further deterioration looks like."

Source: Thomson Reuters

## Corona Tracker

GLOBAL CASES		01-Jul-2020		5:16
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	10,482,866	166,330	509,980	5,338,064



## Market Overview

MARKET INDICATORS (Thomson Reuters)					01 July 2020
<b>Money Market TB's</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	↓	4.43	-0.009	4.44	4.43
6 months	↓	4.59	-0.042	4.63	4.59
9 months	↓	4.71	-0.017	4.73	4.71
12 months	↓	4.74	-0.025	4.76	4.74
<b>Nominal Bonds</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC21 (BMK: R208)	↑	4.16	0.120	4.04	4.08
GC22 (BMK: R2023)	↑	5.94	0.010	5.93	5.94
GC23 (BMK: R2023)	↑	5.92	0.010	5.91	5.92
GC24 (BMK: R186)	↑	8.10	0.035	8.06	8.11
GC25 (BMK: R186)	↑	8.15	0.035	8.11	8.16
GC27 (BMK: R186)	↑	8.23	0.035	8.19	8.24
GC30 (BMK: R2030)	↑	9.88	0.090	9.79	9.88
GC32 (BMK: R213)	↑	10.61	0.090	10.52	10.60
GC35 (BMK: R209)	↑	11.79	0.090	11.70	11.80
GC37 (BMK: R2037)	↑	12.28	0.105	12.17	12.29
GC40 (BMK: R214)	↑	12.60	0.090	12.51	12.61
GC43 (BMK: R2044)	↑	13.15	0.095	13.05	13.16
GC45 (BMK: R2044)	↑	13.32	0.095	13.22	13.33
GC50 (BMK: R2048)	↑	13.32	0.085	13.23	13.33
<b>Inflation-Linked Bonds</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GI22 (BMK: NCPI)	⇒	4.49	0.000	4.49	4.49
GI25 (BMK: NCPI)	⇒	4.49	0.000	4.49	4.49
GI29 (BMK: NCPI)	⇒	5.98	0.000	5.98	5.98
GI33 (BMK: NCPI)	⇒	6.70	0.000	6.70	6.70
GI36 (BMK: NCPI)	⇒	6.99	0.000	6.99	6.99
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↑	1,781	0.52%	1,771	1,784
Platinum	↑	817	1.37%	806	825
Brent Crude	↓	41.2	-1.34%	41.7	41.6
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	↑	1,055	0.19%	1,053	1,055
JSE All Share	↑	54,362	0.41%	54,142	54,362
SP500	↑	3,100	1.54%	3,053	3,100
FTSE 100	↓	6,170	-0.90%	6,226	6,170
Hangseng	↑	24,427	0.52%	24,301	24,427
DAX	↑	12,311	0.64%	12,232	12,311
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↓	10,034	-0.72%	10,106	10,034
Resources	↑	51,292	0.94%	50,813	51,292
Industrials	↑	75,481	0.45%	75,145	75,481
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↑	17.32	0.27%	17.27	17.37
N\$/Pound	↑	21.48	1.11%	21.24	21.47
N\$/Euro	↑	19.45	0.19%	19.42	19.49
US dollar/ Euro	↓	1.123	-0.08%	1.124	1.122
		<b>Namibia</b>		<b>RSA</b>	
<b>Economic data</b>		<b>Latest</b>	<b>Previous</b>	<b>Latest</b>	<b>Previous</b>
Inflation	↑	2.1	1.6	3.0	4.1
Prime Rate	↓	7.75	8.00	7.25	7.75
Central Bank Rate	↓	4.00	4.25	3.75	4.25

**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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