



## Market Update

Monday, 02 March 2020

### Global Markets

Asian shares steadied from early losses on Monday as investors placed their hopes on a coordinated global monetary policy response to weather the damaging economic impact of the coronavirus epidemic. Pandemic fears pushed markets off a precipice last week, wiping more than \$5 trillion from global share value as stocks cratered to their steepest slump in more than a decade. The sheer scale of losses prompted financial markets to price in policy responses from the U.S. Federal Reserve to the Bank of Japan and the Reserve Bank of Australia.

Futures now imply a full 50 basis point cut by the Fed in March while Australian markets are pricing in a quarter-point cut at the RBA's Tuesday meeting. Also helping calm market nerves, Bank of Japan Governor Haruhiko Kuroda said on Monday the central bank would take necessary steps to stabilise financial markets.

In equities, Chinese shares opened higher with the blue-chip index up 1.5%. MSCI's broadest index of Asia-Pacific shares outside Japan advanced 0.4%, turning around from a loss of about 0.3% earlier in the day. E-minis for the S&P500, which were down more than 1% at one point, were last up 0.3% while Japan's Nikkei, which opened 1.3% lower at a six month trough, climbed 0.4%. Australia's S&P ASX/200, which had tumbled 3%, was last off 1.8%.

Benchmark U.S. 10-Year Treasuries hit a fresh record low of 1.0750%. Despite some stability in the market, analysts still expect volatility to persist. "Any signs that new cases are beginning to taper could be seen as a positive catalyst for the market especially given that some of the market complacency has reduced with equity valuations much lower vs few weeks ago," Nomura analysts wrote in a note. "In the very near term until 1Q reporting results, we expect Asian equities may remain quite volatile," they added. "However, on a medium term basis we believe the risk-reward is now getting favourable, assuming the virus does not take the form of a virulent global pandemic."

Leaders in Europe, the Middle East and the Americas rolled out bans on big gatherings and stricter travel restrictions over the weekend as cases of the new coronavirus spread. The epidemic, which began in China, has killed almost 3,000 people worldwide as authorities race to contain infections in Iran, Italy, South Korea and the United States.

Both official and private surveys, released on Saturday and Monday respectively, showed China's factory activity collapsing to its worst levels on record as the virus crippled broad areas of the

economy. "It is now highly probable that the coronavirus will spread globally," Citi analysts said in a note. "Financial markets may over-react until they have visibility on the actual impact."

Investor panic last week sent bonds soaring and stocks plunging. The S&P 500 index fell 11.5%, only its fifth double-digit weekly percentage drop since 1940. On Monday, oil extended losses before steadying on expectations OPEC may cut production. Brent crude last traded at \$50.41 per barrel and U.S. crude at \$45.30 per barrel.

In currencies, investors sought shelter in the Japanese yen, which jumped to a 20-week high on the dollar in tandem with the massive shift in money markets to price U.S. rate cuts. All of this leaves just about every major asset class on edge and few analysts sounding optimistic. "So it was right not to 'buy the dip,'" said Michael Every, Rabobank's senior strategist for the Asia-Pacific. The yen was last up 0.1% at 107.98. The Aussie huddled near an 11-year low at \$0.6527, while the New Zealand dollar slipped 0.1% to \$0.6238. The euro was up 0.3% at \$1.1054. That left the dollar index a shade weaker at 97.911.

A further set of manufacturing surveys from around the world due later on Monday will provide investors more detail on the virus' impact on the global economy. Later in the week, central bank meetings in Australia, on Tuesday, and Canada, on Wednesday, will be closely watched.

**Source: Thomson Reuters**

## **Domestic Markets**

South African rand closed at its weakest level in 18 months on Friday, extending its slump throughout the day as stocks also crashed amid deepening worries about coronavirus that sent global financial markets into a tailspin.

South African markets suffered added pressure from concerns over a sovereign ratings downgrade by Moody's, the last agency to rate its debt as investment-grade, following this week's budget. At 1537 GMT, the rand traded at 15.6700 per dollar, 1.18% weaker than its close on Thursday. The currency was at its weakest level since September 2018.

The stock market meanwhile lost almost 5%, and government bonds weakened with the yield on the benchmark instrument due in 2026 rising by 26.5 basis points to 8.127%. "It's been a rough week for markets all round, as the global economy struggles to come to terms with the fallout of the COVID-19 virus and the ultimate fully fledged economic impact," said Bianca Botes, treasury partner at Peregrine Treasury Solutions.

Axel Rudolph, from Commerzbank, said in a note that the rand may pause at its September 2018 peak, above which lies 15.9854 - a level last seen in March 2016. Hopes that the coronavirus outbreak could be contained in China have vanished this week as infections spread across the globe. This is also what drove the Johannesburg Stock Exchange's Top-40 Index down 4.5% to 45,852 points - its lowest level since January last year - and the broader all-share index down the same amount to 51,038 points.

The rand has also come under pressure as some analysts predicted that proposed cuts to the public sector wage bill would not be enough to save the country's investment-grade credit rating. Finance Minister Tito Mboweni unveiled the plan to cut the public sector wage bill by 160 billion rand (\$10.50 billion) in his budget speech on Wednesday.

Moody's said on Thursday it sees "elevated" risks to the budget forecasts due to doubts over whether trade unions would agree to cutting the public sector wage bill and potential liabilities from

struggling state companies. Moody's is the last of the big three ratings agencies to rate South Africa in investment grade, and is scheduled to review that rating next month.

**Source: Thomson Reuters**



## Market Overview

MARKET INDICATORS (Thomson Reuters)			Monday, 02 March 2020		
<b>Money Market TB's</b>					
		Last close	Difference	Prev close	Current Spot
3 months	↓	7.03	-0.280	7.31	7.03
6 months	↓	7.46	-0.090	7.55	7.46
9 months	↑	7.57	0.002	7.57	7.57
12 months	↑	7.60	0.015	7.58	7.60
<b>Nominal Bonds</b>					
		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	↓	7.10	-0.009	7.11	7.09
GC21 (BMK: R2023)	↑	7.14	0.065	7.07	7.15
GC22 (BMK: R2023)	↑	7.57	0.155	7.42	7.50
GC23 (BMK: R2023)	↑	8.02	0.155	7.87	7.95
GC24 (BMK: R186)	↑	8.73	0.270	8.46	8.67
GC25 (BMK: R186)	↑	8.69	0.270	8.42	8.63
GC27 (BMK: R186)	↑	9.13	0.270	8.86	9.07
GC30 (BMK: R2030)	↑	10.10	0.300	9.80	10.04
GC32 (BMK: R213)	↑	10.66	0.290	10.37	10.59
GC35 (BMK: R209)	↑	11.24	0.245	10.99	11.19
GC37 (BMK: R2037)	↑	11.38	0.255	11.12	11.31
GC40 (BMK: R214)	↑	11.63	0.220	11.41	11.57
GC43 (BMK: R2044)	↑	11.96	0.230	11.73	11.89
GC45 (BMK: R2044)	↑	12.20	0.230	11.97	12.13
GC50 (BMK: R2048)	↑	12.23	0.215	12.01	12.17
<b>Inflation-Linked Bonds</b>					
		Last close	Difference	Prev close	Current Spot
GI22 (BMK: NCPI)	→	4.40	0.000	4.40	4.40
GI25 (BMK: NCPI)	→	4.60	0.000	4.60	4.60
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>					
		Last close	Change	Prev close	Current Spot
Gold	↓	1,585	-3.48%	1,642	1,604
Platinum	↓	864	-3.92%	899	874
Brent Crude	↓	50.5	-3.18%	52.2	51.4
<b>Main Indices</b>					
		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,147	-3.39%	1,187	1,147
JSE All Share	↓	51,038	-4.50%	53,445	51,038
SP500	↓	2,954	-0.82%	2,979	2,954
FTSE 100	↓	6,581	-3.18%	6,796	6,581
Hangseng	↓	26,130	-2.42%	26,779	26,342
DAX	↓	11,890	-3.86%	12,367	11,890
<b>JSE Sectors</b>					
		Last close	Change	Prev close	Current Spot
Financials	↓	13,552	-3.27%	14,011	13,552
Resources	↓	41,998	-6.37%	44,858	41,998
Industrials	↓	66,130	-3.83%	68,767	66,130
<b>Forex</b>					
		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	15.64	1.76%	15.37	15.60
N\$/Pound	↑	20.05	1.25%	19.80	20.02
N\$/Euro	↑	17.24	2.01%	16.90	17.22
US dollar/ Euro	↑	1.103	0.25%	1.100	1.104
<b>Economic data</b>					
		Namibia		RSA	
		Latest	Previous	Latest	Previous
Inflation	↓	2.1	2.6	4.0	3.6
Prime Rate	↓	10.25	10.50	9.75	10.00
Central Bank Rate	↓	6.25	6.50	6.25	6.50

**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:**

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Source: Bloomberg



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