Market Update Monday, 03 February 2020

Global Markets

Asian shares stumbled on Monday, oil skidded and commodities on Chinese exchanges plunged on their first trading day after a long break on fears the coronavirus epidemic will hit demand in the world's second-largest economy. Aiming to head off any panic, the Chinese government took a range of steps to shore up an economy hit by travel curbs and business shut-downs because of the epidemic, including cutting its key interest rate.

Despite the measures, MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.4%, on track for its eighth straight day of losses. Chinese shares slumped at the open with the blue-chip index down about 7%. Japan's Nikkei stumbled 0.9% while Australia's benchmark index skidded 1.2%, while New Zealand shares dropped 1.5%. "Until the rate of new cases peaks, equities are in limbo – too late to sell, too early to buy," said Sean Darby, Hong Kong-based strategist at Jefferies.

A total of 361 people have died in China from the coronavirus with the first death out of the mainland reported on Sunday in the Philippines. In a bid to cushion the impact on China's economy, the country's central bank cut reverse repo rates by 10 basis points and injected 1.2 trillion yuan ($173.8 billion) of liquidity into the markets on Monday. Beijing also said it would help firms that produce vital goods resume work as soon as possible, state broadcaster CCTV reported.

Still, analysts expect Chinese onshore equity markets to remain under pressure as the number of infections is still likely to increase in the weeks ahead. Economists at Citigroup said the steps taken by Chinese authorities were "unlikely to be sufficient to curtail a sharp downturn in Q1." "As most employees won't return to work until Feb. 9, the output losses are likely to be larger than expected, and incoming economic activity data will continue to prompt the authorities to take more actions in order to reduce the adverse impact of the Wuhan coronavirus on the economy," they noted.

Citi revised its full-year forecast for China's GDP growth to 5.5% in 2020 from 5.8%. It also cut first-quarter growth expectations to 4.8%, compared with 6% in the fourth quarter of 2019. JPMorgan shaved its forecast for global growth by 0.3 percentage points for this quarter. There was still some glimmer of hope. "We still believe that economic activities should recover swiftly once the number of new cases comes under control, and subsequently market sentiment should also improve," said JPMorgan Asset Management Asia Chief Market Strategist Tai Hui. "This could take time to play out, but this underpins our long-term optimism in the A-share market despite a challenging time ahead."

E-Mini futures for the S&P500 added 0.6%, pointing to a positive start for Wall Street on Monday. As Chinese markets opened after the 10-day break, Shanghai copper hit limit down as did Shanghai crude oil while yields on the country's 30-year government bonds traded in the interbank market were down 18.5 basis points. Dalian soymeal plunged 4.1% while Dalian iron ore hit limit down with steel prices tumbling too. On Friday, the Dow fell 2.1%, the S&P 500 declined 1.8% and the Nasdaq Composite dropped 1.6% as economists tempered their outlook for China while economic data out of the United States and Europe together with a mixed batch of corporate earnings also added to the gloom.

In currencies, the safe-haven Japanese yen held near a 3-1/2-week high against the dollar at 108.57 after adding about 1.5% in the last two weeks. The risk-sensitive Australian dollar, which is often traded as a liquid proxy for the Chinese yuan, tumbled 2% last week to hit a four-month trough of $0.6683. It was last up 0.2% at 0.6701. The dollar index, which measures the greenback against a basket of major currencies, was a shade higher at 97.475.

Gold, which posted its best month in five in January, slipped 0.5% to $1,582.70, while yields on U.S. debt lingered near five-month lows as the United States, Japan and other countries tightened travel curbs to China. Oil futures came off lows after skidding sharply earlier in the session on concerns the coronavirus outbreak would hit China's oil demand. Brent crude was last down 31 cents at $56.31 a barrel after falling more than $1 at one stage. U.S. crude slipped 5 cents to $51.51.

Source: Thomson Reuters

Domestic Markets

South Africa's rand kept tumbling on Friday, sliding to a new 12-week low after the World Health Organization declared the coronavirus a global emergency, compounding local economic issues faced by the currency.

State firm Eskom, a major threat to growth and government's balance sheet as it struggles to service its 450 billion rand debt, said on Friday nationwide blackouts would continue as it carried out long-delayed maintenance on its creaking fleet coal plants.

At 1500 GMT the rand was 1.31% weaker at 14.9580 per dollar, its worst level since Nov. 11, bringing losses for the week to nearly 4% - the worst amongst emerging market peers, which also suffered as investors dumped risk assets for safer bets.

BNP Paribas economist Jeffrey Schultz said that although concern about the coronavirus outbreak was the major factor driving the market, news that power cuts were continuing added further pressure. "This has made markets quite nervous considering the already-weak growth outlook going into the February budget," said Schultz.

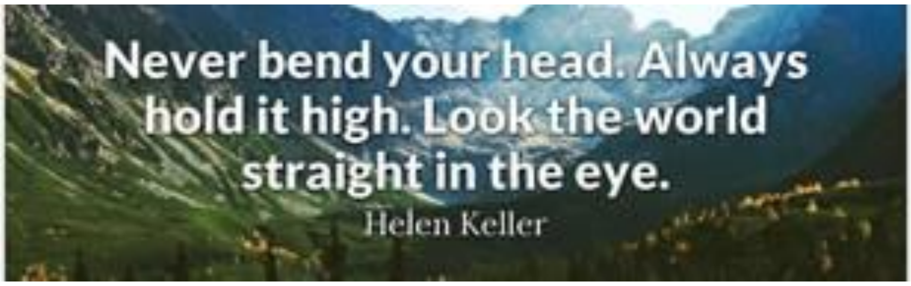
Eskom resumed power cuts on Thursday evening and said on Friday it would keep throttling supply to the grid through the weekend, as it struggled to replace the emergency capacity it used this week. Bonds bucked the trend, with yields falling on the benchmark bonds. The yield on the 2030 fell 2.5 basis points to 8.98%.

Analysts said the country's shorter-dated debt remained under pressure and demand for longer-dated issue was also coming under pressure, reflecting the high real return, around 5%, but growing investor concerns about the economy.

"The curve is pretty steep right now. Government rolling over debt to the belly of the curve. But demand at the vanilla auction on Tuesday was really weak. That reflects how cautious or apprehensive investors are to take on our debt despite the attractive yields," said Kieran Siney of ETM Analytics. "The demand won't last forever. If the finance minister doesn't implement the necessary reforms our fiscal degradation is just going to accelerate."

Stocks closed lower, with the Johannesburg Stock Exchange's Top-40 index falling 0.95% to 50,072 points, and the broader all-share index dropping 0.9% to 56,079 points. Gold companies made up the majority of the blue-chip stocks that gained on Friday, with Goldfields, Sibanye-Stillwater and AngloGold Ashanti rising 2.63%, 2.46% and 2.1%, respectively. The biggest loser of the top-40 index was petrochemicals group Sasol, which fell 6.8% after it warned its first-half profits would be lower and cut its earnings outlook from its troubled chemicals project in the United States.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)					Monday, 03 February 2020
Money Market TB's		**Last close**	**Difference**	**Prev close**	**Current Spot**
3 months	⇨	7.46	0.000	7.46	7.46
6 months	⇨	7.61	0.000	7.61	7.61
9 months	⇩	7.67	-0.041	7.71	7.67
12 months	⇩	7.75	-0.042	7.79	7.75
Nominal Bonds		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC20 (BMK: R207)	⇩	7.51	-0.011	7.52	7.50
GC21 (BMK: R2023)	⇨	7.75	0.000	7.75	7.72
GC22 (BMK: R2023)	⇩	7.42	-0.090	7.51	7.43
GC23 (BMK: R2023)	⇩	8.07	-0.090	8.16	8.08
GC24 (BMK: R186)	⇩	8.51	-0.020	8.53	8.51
GC25 (BMK: R186)	⇩	8.57	-0.020	8.59	8.57
GC27 (BMK: R186)	⇩	8.98	-0.020	9.00	8.98
GC30 (BMK: R2030)	⇩	9.68	-0.025	9.71	9.68
GC32 (BMK: R213)	⇩	10.55	-0.015	10.56	10.56
GC35 (BMK: R209)	⇩	10.83	-0.020	10.85	10.84
GC37 (BMK: R2037)	⇩	11.21	-0.025	11.24	11.22
GC40 (BMK: R214)	⇩	11.30	-0.025	11.33	11.32
GC43 (BMK: R2044)	⇩	11.83	-0.025	11.86	11.84
GC45 (BMK: R2044)	⇩	11.98	-0.025	12.01	11.99
GC50 (BMK: R2048)	⇩	12.11	-0.025	12.14	12.12
Inflation-Linked Bonds		**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)	⇧	5.79	0.070	5.72	5.79
GI33 (BMK: NCPI)	⇧	6.40	0.147	6.25	6.40
GI36 (BMK: NCPI)	⇧	6.61	0.151	6.46	6.61
Commodities		**Last close**	**Change**	**Prev close**	**Current Spot**
Gold	⇧	1,590	1.01%	1,574	1,577
Platinum	⇩	957	-2.15%	978	954
Brent Crude	⇩	58.2	-0.22%	58.3	56.3
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	⇩	1,240	-1.56%	1,260	1,242
JSE All Share	⇩	56,080	-0.90%	56,591	56,098
SP500	⇩	3,226	-1.77%	3,284	3,226
FTSE 100	⇩	7,286	-1.30%	7,382	7,286
Hangseng	⇩	26,313	-0.52%	26,449	26,350
DAX	⇩	12,982	-1.33%	13,157	12,982
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	⇩	14,758	-2.13%	15,079	14,773
Resources	⇩	47,493	-0.67%	47,815	47,005
Industrials	⇩	70,698	-0.61%	71,134	71,219
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	⇧	15.00	1.68%	14.75	14.99
N$/Pound	⇧	19.79	2.50%	19.31	19.71
N$/Euro	⇧	16.63	2.26%	16.27	16.61
US dollar/ Euro	⇧	1.109	0.57%	1.103	1.108
		Namibia		**RSA**	
Economic data		**Latest**	**Previous**	**Latest**	**Previous**
Inflation	⇧	2.6	2.5	3.6	3.7
Prime Rate	⇩	10.25	10.50	9.75	10.00
Central Bank Rate	⇩	6.50	6.75	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:
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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