



Market Update

Tuesday, 03 March 2020

Global Markets

Global shares and oil prices extended their rebound on Tuesday on mounting speculation policymakers around the world would move to ease the economic fallout from the spreading coronavirus. The European Central Bank on Monday joined the chorus of central banks signalling a readiness to deal with the growing threats from the outbreak. Earlier messages from the U.S. Federal Reserve that it was prepared to act weighed on the greenback against a basket of currencies.

The improved confidence supported U.S. S&P 500 futures, which rose 0.5% in early Asian trade on Tuesday, a day after the S&P 500 gained 4.60%, the biggest gain since December 2018. Japan's Nikkei jumped 1.6% while MSCI's broadest index of Asia-Pacific shares outside Japan gained 0.8%. South Korea's Kospi added 2.4% and Australian shares advanced 1.8% ahead of an expected rate cut by the Reserve Bank of Australia.

The rout in global stocks last week had already prompted Fed Chair Jerome Powell and Bank of Japan Governor Haruhiko Kuroda to flag a readiness to move. Money market pricing shows traders now expect a 100% chance of a 0.25 percentage point cut to the current 1.50%-1.75% target rate at the Fed's March 17-18 meeting as well as a 0.10 percentage point cut to the ECB's key rate at March 12 meeting.

G7 finance ministers are also expected to hold a conference call on Tuesday (1200 GMT), sources said, to discuss measures to deal with the economic impact of the coronavirus outbreak. "There are hopes that G7 countries will take some sort of coordinated actions to fight the virus, possibly including fiscal spending," said Masahiro Ichikawa, senior strategist at Sumitomo Mitsui DS Asset Management. The frantic moves by policymakers reflected growing fears that the disruption to supply chains, factory output and global travel caused by the new epidemic could deal a serious blow to a world economy trying to recover from the U.S.-China trade war.

Coronavirus is now spreading much more rapidly outside China than within the country, leading the world into uncharted territory, although the World Health Organization (WHO) has so far stopped short of calling it a pandemic. In the United States, six people in the Seattle area have died of the illness caused by the new coronavirus, as authorities across the country scrambled to prepare for more infections.

The rebound in global stock prices saw U.S. bond yields roll back some of their sharp falls. The 10-year U.S. Treasuries yield retreated to 1.155% from a record low of 1.030% marked on Monday. The

rate-sensitive two-year notes yield jumped back to 0.90% from Monday's 3 1/2-year low of 0.71%. Still, the 10-year and two-year yields are down about 40 and 50 basis points, respectively, from about two weeks ago. April Fed funds rate futures still price in about 80% chance of a 0.50 percentage point cut.

Expectations of Fed rate cuts prompted investors to cut their exposure to the dollar. Against the yen, the dollar traded at 108.31 yen, off a five-month low of 107 set on Monday. The euro stood at \$1.1139, having hit an eight-week peak of \$1.1185. The Australian dollar fetched \$0.6533, about a cent above an 11-year low of \$0.64345 set on Friday. Australia's central bank is widely expected to cut the policy interest rate to 0.5% from 0.75%, already at a record low.

Oil prices bounced back further after a jump of more than 4% on Monday, reversing an early decline to multi-year lows. Hopes of a deeper output cut by the Organization of the Petroleum Exporting Countries and central banks' policy measures countered fears of slower growth. U.S. West Texas Intermediate (WTI) crude futures rose 2.7% to \$48.01 a barrel, up sharply from Monday's low of \$43.32 a barrel, which was the lowest since December 2018.

While the coronavirus continues to dominate investor attention, focus has also swung to Super Tuesday in the United States, the biggest day in the Democratic primary elections to choose a challenger to President Donald Trump.

Source: Thomson Reuters

Domestic Markets

South Africa's rand strengthened on Monday as central banks abroad signalled a willingness to shield their economies against the coronavirus, though the currency was restrained by anticipation of another batch of grim local data.

Stocks recovered, breaking a two-day losing streak that saw them shed over 7%, as local equities tracked overseas shares higher, with retailers Shoprite, Miner AngloGold and tech giant Naspers leading the upward trend.

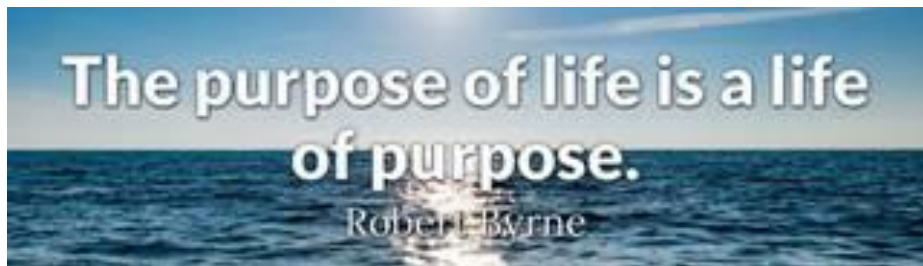
At 1641 GMT the rand was 0.35% stronger at 15.5770 per dollar, stepping back from a session-best 15.4670 as the reaction to higher bets of the U.S. Federal Reserve cutting rates this month ebbed. The rand has tanked 13% since the beginning of 2020 and 4% since Wednesday's budget speech where the treasury announced higher budget deficits and debt, as well as plans to slash public sector wages, raising the likelihood of a credit downgrade by Moody's.

Traders trimmed big bets ahead of Tuesday's release of 2019 Q4 data expected to show the economy went into a technical recession, raising further the likelihood of the country losing its final investment grade credit rating from Moody's.

Stocks also benefited from the central bank's willingness to pump liquidity into markets, with Naspers up nearly 3% on the day, while AngloGold climbed 2% and Shoprite's price increased 5.5%. "There is a bit of calm around coronavirus based on some big central banks stipulating they are willing to provide liquidity to protect against the impact of the virus. The Fed looks like it will cut, and the PBOC has come out with stimulus measures already," said Lester Davids, a trader at Unum Capital. "Naspers is still trading at a big discount with regard to its underlying assets, so at these levels it could be seen as an opportunity in context of the current selloff."

Overall, the Johannesburg Stock Exchange's Top-40 index rose 1.74% to 46,648 points and the broader all-share index closed 1.57% higher at 51,840 points. Bonds rallied, with the yield on the Government Issue due in 2030 down 9.5 basis points to 9.01%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)			Tuesday, 03 March 2020		
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	↓	7.03	-0.280	7.31	7.03
6 months	↓	7.47	-0.082	7.55	7.47
9 months	↓	7.58	-0.032	7.61	7.58
12 months	↓	7.61	-0.043	7.66	7.61
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	↓	7.09	-0.009	7.10	7.08
GC21 (BMK: R2023)	↓	7.07	-0.070	7.14	7.09
GC22 (BMK: R2023)	↓	7.43	-0.140	7.57	7.33
GC23 (BMK: R2023)	↓	7.98	-0.140	8.12	7.88
GC24 (BMK: R186)	↑	8.75	0.015	8.73	8.66
GC25 (BMK: R186)	↑	8.71	0.015	8.69	8.62
GC27 (BMK: R186)	↑	9.15	0.015	9.13	9.06
GC30 (BMK: R2030)	↑	10.32	0.070	10.25	10.23
GC32 (BMK: R213)	↑	10.74	0.080	10.66	10.65
GC35 (BMK: R209)	↑	11.40	0.065	11.34	11.31
GC37 (BMK: R2037)	↑	11.44	0.060	11.38	11.35
GC40 (BMK: R214)	↑	11.70	0.065	11.63	11.61
GC43 (BMK: R2044)	↑	12.02	0.065	11.96	11.93
GC45 (BMK: R2044)	↑	12.26	0.065	12.20	12.17
GC50 (BMK: R2048)	↑	12.29	0.060	12.23	12.20
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)	⇒	5.98	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
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,590	0.36%	1,585	1,598
Platinum	↓	860	-0.38%	864	872
Brent Crude	↑	51.9	2.73%	50.5	53.0
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,159	1.02%	1,147	1,159
JSE All Share	↑	51,840	1.57%	51,038	51,038
SP500	↑	3,090	4.60%	2,954	3,090
FTSE 100	↑	6,655	1.13%	6,581	6,655
Hangseng	↑	26,292	0.62%	26,130	26,334
DAX	↓	11,858	-0.27%	11,890	11,858
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	13,571	0.15%	13,552	13,552
Resources	↑	42,925	2.21%	41,998	41,998
Industrials	↑	67,490	2.06%	66,130	66,130
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	15.69	0.29%	15.64	15.69
N\$/Pound	↓	20.00	-0.25%	20.05	20.05
N\$/Euro	↑	17.46	1.26%	17.24	17.48
US dollar/ Euro	↑	1.113	0.97%	1.103	1.114
		Namibia		RSA	
Economic data		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:

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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