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**Market Update**

**Tuesday, 04 February 2020**

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## **Global Markets**

Asian stocks bounced on Tuesday with Chinese markets reversing some of their previous plunge amid official efforts to calm virus fears, although sentiment remained fragile with oil near 13-month lows. The total number of coronavirus deaths in China reached 425 as of the end of Monday, from 20,438 cases. China's central bank has flooded the economy with cash while trimming some key lending rates, but analysts suspect more will have to be done to offset the economic fallout from the virus.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 1.0%, led by gains in South Korea and Australia. Japan's Nikkei inched up 0.1%. "Given the extent of the shutdowns in China as well as the rapid rise in the virus that is likely to continue through March or April, a significant hit to China and regional growth is very likely," said JPMorgan economist Joseph Lupton. "We would assume that in addition to bridging any funding stresses, fiscal policies will need to be ramped up to support growth once the contagion gets under control."

The Shanghai Composite stood flat in choppy early trading, while the blue-chip CSI300 rebounded 0.9%, one day after an almost 8% slide on Monday as markets resumed from the Lunar New Year holiday. Hong Kong's Hang Seng advanced 0.7%. "Chinese authorities have been providing a lot of support for the financial markets. There's a level of assurance that the rout would not be allowed to go on much further than necessary," Christy Tan, head of markets strategy for Asia at National Australia Bank in Singapore. "This could prove to be temporary if we see worse news or little sign of reaching containment of the (coronavirus) situation," she added.

In an effort to stop the rout, China's state-backed Securities Times published an op-ed on Tuesday to call on investors not to panic. That followed moves by China's securities regulator on Monday to limit short selling and stop mutual fund managers selling shares unless they face investor redemptions, according to Reuters.

E-Mini futures for the S&P 500 gained 0.3%, extending a 0.7% bounce overnight, even after disappointing earnings results from Alphabet Inc. Wall Street had taken comfort in a surprisingly solid reading of U.S. manufacturing and the Dow ended Monday with a rise of 0.5%, while the S&P 500 gained 0.7% and the Nasdaq 1.3%. "This is just a typical reversal after a big fall. Vague concerns about Wuhan virus are still weighing on U.S. stocks," said Masanari Takada, cross asset strategist at Nomura Securities in Tokyo.

Factory activity rebounded in January after contracting for five straight months amid a surge in new orders. The ISM index rose to 50.9, the highest since July, from an upwardly revised 47.8, though the survey was taken before the virus spread in earnest. The upbeat report nudged Treasury yields up from deep lows and gave the U.S. dollar a modest lift.

In early Asian trade, oil futures staged a modest rebound, one day after slumping to the lowest in more than a year as the coronavirus outbreak curtailed Chinese demand. Brent crude added 0.5% to \$54.73 a barrel, while U.S. crude gained 0.7% to \$50.44. A swath of commodities from copper to iron ore joined oil in the dumpster amid fears the drag on Chinese industry and travel would sharply curb demand for fuel and resources. The Dalian Commodity Exchange's most-traded iron ore futures contract, expiring in May, tumbling more than 5% in early trade.

In the currency market, the dollar firmed to 108.66 yen, from an overnight low of 108.30, while the euro faded a fraction to \$1.1059 but remained well within recent snug ranges. Against a basket of currencies, the dollar bounced back to 97.837 from a trough of 97.406. Sterling was nursing its wounds at \$1.2987 having shed 1.6% overnight when the UK government laid out a tough opening stance for future trade talks with the European Union following its departure from the bloc last week. The fall erased all the gains made after the Bank of England's decision last week to keep interest rates on hold.

Spot gold was off at \$1,576.34 per ounce, from a top of \$1,591.46, as the dollar firmed and safe haven demand waned a little.

**Source: Thomson Reuters**

## **Domestic Markets**

South Africa's rand firmed to below the key 15.00 per dollar mark on Monday, rebounding after a steep slide triggered by the coronavirus outbreak sent the currency to its weakest level in three months. The stock market closed lower, in line with weakness in global stocks, amid fears the coronavirus epidemic would hit Chinese demand. At 1500 GMT the rand was 1.18% firmer at 14.8520 per dollar, having closed at 15.0300 on Friday.

Investors concerned about the spread of the coronavirus wiped more than \$400 billion off the value of China's stocks in the first trading session in two weeks, after an extended Lunar New Year holiday break. The death toll from the outbreak has exceeded 360 people.

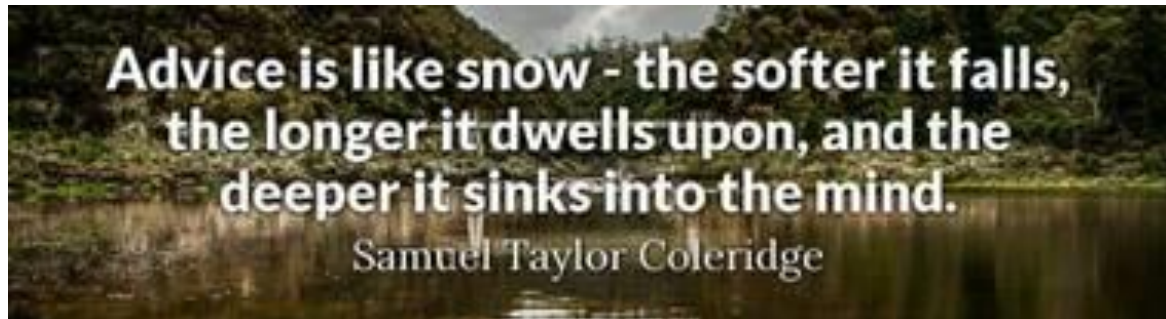
The rand has tumbled 5.2% against the greenback since the beginning of the year, with more than 4% of those losses in the past week, also hit by signs of weakness in the local economy. The sharp fall in the rand after positive trading in December that saw the currency flirt with sub-14.00 levels has seen volatility measures spike, making holding the rand even tougher for investors.

"The rand has been in a steady decline as the spread of the coronavirus has seen markets exit risk assets in favour of safe havens. This scenario is likely to prevail until the spread of the virus is brought under control," Nedbank analyst Reezwana Sumad said in a note.

"Locally, the ongoing load-shedding scenario is exacerbating the negative outlook." State power firm Eskom on Friday resumed nationwide load-shedding, or blackouts, and said they would continue through the week as it carried out long-delayed maintenance on its creaking fleet of coal plants, threatening already slack consumer demand and business activity.

On the stock market, the Top-40 index was down 0.34% while the broader all-share edged down 0.46%. Bonds firmed, with the yield on the benchmark bond due in 2026 falling 7 basis points to 7.95%.

Source: Thomson Reuters



## Market Overview

MARKET INDICATORS (Thomson Reuters)		Tuesday, 04 February 2020			
<b>Money Market TB's</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	➔	7.45	0.000	7.45	7.45
6 months	↓	7.65	-0.008	7.66	7.65
9 months	↓	7.71	-0.017	7.73	7.71
12 months	➔	7.75	0.000	7.75	7.75
<b>Nominal Bonds</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC20 (BMK: R207)	↓	7.50	-0.011	7.51	7.49
GC21 (BMK: R2023)	↓	7.64	-0.110	7.75	7.64
GC22 (BMK: R2023)	↓	7.32	-0.100	7.42	7.33
GC23 (BMK: R2023)	↓	8.02	-0.100	8.12	8.03
GC24 (BMK: R186)	↓	8.60	-0.070	8.67	8.61
GC25 (BMK: R186)	↓	8.50	-0.070	8.57	8.51
GC27 (BMK: R186)	↓	9.50	-0.070	9.57	9.51
GC30 (BMK: R2030)	↓	9.67	-0.085	9.76	9.68
GC32 (BMK: R213)	↓	10.49	-0.060	10.55	10.48
GC35 (BMK: R209)	↓	10.80	-0.035	10.83	10.79
GC37 (BMK: R2037)	↓	11.18	-0.035	11.21	11.18
GC40 (BMK: R214)	↓	11.27	-0.030	11.30	11.28
GC43 (BMK: R2044)	↓	11.80	-0.035	11.83	11.80
GC45 (BMK: R2044)	↓	11.95	-0.035	11.98	11.95
GC50 (BMK: R2048)	↓	11.99	-0.035	12.02	11.99
<b>Inflation-Linked Bonds</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
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	0.000	5.79	5.79
GI33 (BMK: NCPI)	➔	6.40	0.000	6.40	6.40
GI36 (BMK: NCPI)	➔	6.61	0.000	6.61	6.61
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↓	1,576	-0.87%	1,590	1,572
Platinum	↑	966	1.02%	957	975
Brent Crude	↓	54.5	-6.38%	58.2	54.9
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	↓	1,235	-0.42%	1,240	1,235
JSE All Share	↓	55,828	-0.45%	56,080	55,828
SP500	↑	3,249	0.73%	3,226	3,249
FTSE 100	↑	7,326	0.55%	7,286	7,326
Hangseng	↑	26,357	0.17%	26,313	26,671
DAX	↑	13,045	0.49%	12,982	13,045
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↓	14,712	-0.31%	14,758	14,712
Resources	↓	46,877	-1.30%	47,493	46,877
Industrials	↑	70,880	0.26%	70,698	70,880
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↓	14.87	-0.82%	15.00	14.81
N\$/Pound	↓	19.32	-2.37%	19.79	19.27
N\$/Euro	↓	16.45	-1.13%	16.63	16.38
US dollar/ Euro	↓	1.106	-0.32%	1.109	1.106
		<b>Namibia</b>		<b>RSA</b>	
<b>Economic data</b>		<b>Latest</b>	<b>Previous</b>	<b>Latest</b>	<b>Previous</b>
Inflation	↑	2.6	2.5	4.0	3.6
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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