



## Market Update

Wednesday, 04 March 2020

### Global Markets

Asian shares struggled to find footing on Wednesday and bonds held stunning gains, as an emergency rate cut from the U.S. Federal Reserve seemed to stoke rather than soothe fears over the coronavirus' widening global economic fallout. The surprise 50 basis point cut came with commentary highlighting the limits of monetary policy, and Wall Street indexes fell sharply. Gold surged and the dollar sank.

The yield on benchmark 10-year U.S. Treasuries, which falls when prices rise, hit a once unimaginable low of 0.9060% and has held just above that level in Asian trade. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.4% amid choppy trade across the region, though most of the gains were confined to South Korea. Japan's Nikkei oscillated between flat and modest gains. "The U.S. Federal Reserve's attempt to surprise the market may have misfired," said Kerry Craig, strategist at J.P. Morgan Asset Management in Melbourne. "While the action was intended to steady market confidence, the sharpness of their reaction and the off-schedule timing of the move could be interpreted as the Fed being much more concerned about the economic impact than first thought."

Australia's S&P/ASX 200 index fell 1.5%, while stocks in Hong Kong and China traded flat. Korean stocks bucked broader weakness, rising 2% after the government announced a stimulus package of 11.7 trillion won (\$9.8 billion) to mitigate the impact of the virus outbreak.

Futures for the S&P 500 were volatile as the results of Democratic Party primaries came in, eventually firming 1% as moderate Joe Biden looked set to win five big states compared with two for radical Bernie Sanders.

The U.S. 10-year Treasury yield steadied at 0.9861%. The dollar touched a five-month low against the safe-haven Japanese yen and slipped against most other Asian currencies. "Given the way that the market's reacted, it's telling you that there's a little bit of panic," said Andrew Gillan, head of Asia ex-Japan equities at Janus Henderson in Singapore. "They're a bit worried that interest rate cuts are not going to make a massive difference...and what's going to be required is probably going to be more fiscal stimulus," he said, his fund having invested, for example, in Chinese cement and construction stocks in anticipation of more government support measures.

## Limits of Monetary Policy

The Fed's surprise move - its first off-schedule cut since the depths of the financial crisis more than a decade ago - followed a massive shift in money market pricing.

Futures swung rapidly late last week to expect such a cut at the Fed's March meeting. Now they imply another 50 basis points of easing by July, even as the investors and the Fed itself raise questions about the efficacy of easing to deal with a public health crisis. "We do recognise that a rate cut will not reduce the rate of infection, it won't fix a broken supply chain; we get that," Fed Chairman Jerome Powell told reporters at a press conference. The remark sent Wall Street from positive territory into the red. Dow Jones industrial average, Nasdaq composite and S&P 500 each closed down close to 3%.

More than 3,000 people have been killed by the coronavirus, about 3.4% of those infected - far above seasonal flu's fatality rate of under 1%. It continues to spread quickly beyond the epicentre in China, with Italy overnight reporting a jump in deaths to 79 and South Korea reporting more than 500 new cases on Wednesday. "The question here is whether a conventional interest rate response is sufficient," said Sameer Goel, chief strategist, Asia macro, at Deutsche Bank in Singapore. "It's not an economic shock, it's a shock driven by a non-economic factor. It's still not clear how big the problem ultimately is, or could be, and until you know that, it's hard to know how much medicine to apply to it."

In currencies, the U.S. dollar fell across the board, sending it to an eight-week low against a basket of currencies, while pushing the euro to an eight-week peak. In Asian trade, the yen hit its highest against the greenback since October, at 106.84 per dollar, before paring gains. The Australian dollar advanced to \$0.6603.

Oil prices firmed on expectations of production cuts, with Brent rising 90 cents to \$52.79 per barrel and U.S. crude up 1.9% at \$48.06 a barrel. Gold rose 0.2% to \$1642.21 an ounce.

**Source: Thomson Reuters**

## Domestic Markets

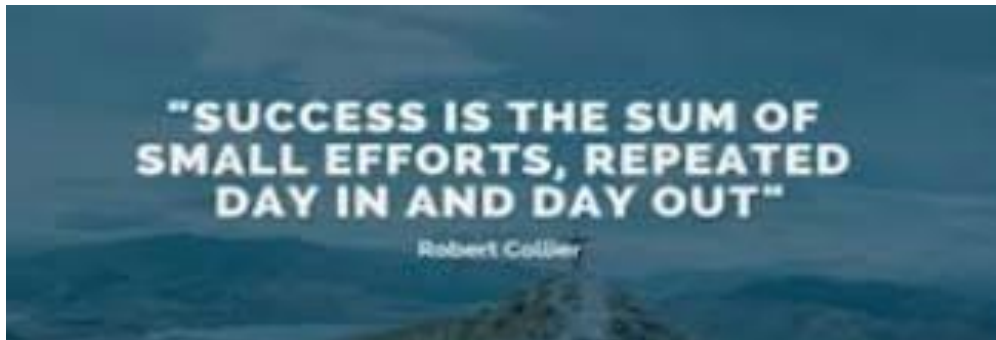
South Africa's rand weakened on Tuesday as data showed the economy entered its second recession in two years in the final quarter of last year, while stocks edged higher. At 1716 GMT the rand was 0.55% weaker at 15.4700 per dollar, after hitting a session low of 15.6250 in the immediate aftermath of the recession news. The recession is another setback for President Cyril Ramaphosa's efforts to revive the economy and stave off a downgrade of the country's sovereign debt to below investment grade by rating agency Moody's. "The road ahead for rand will be filled with many obstacles as investors question whether Moody's will leave or downgrade South Africa's last credit rating on March 27," said Lukman Otunuga, senior research analyst at FXTM. "In regards to the technical picture ...falling confidence over the economy in the face of domestic and external risks may weaken the local currency with 15.80 acting as the first level of interest."

Moody's is the last of the top three agencies to rate the country's debt at investment level, and it is set to assess the rating in March. Stocks closed higher, with the Johannesburg Stock Exchange's Top-40 index rising 2.2% to 47,671 points and the broader all-share index closing up 2.16% at 52,958 points. The rise was led by miners AngloGold Ashanti, which rose 7.45%, and Anglo American Platinum, up just over 6%.

Nedbank was the only company on the index whose shares fell on Tuesday, after it reported a near 7% drop in profits. Its shares closed down 2.28%.

Bonds were firmer, with the yield on the benchmark 2026 Government Issue down 21 basis points to 7.945%.

Source: Thomson Reuters



## Market Overview

MARKET INDICATORS		04 March 2020			
Money Market TB's		Last Close	Change	Prev Close	Current Spot
3 months	↓	7.454	-0.166	7.620	7.454
6 months	↓	7.584	-0.066	7.65	7.584
9 months	↓	7.582	-0.083	7.665	7.582
12 months	↓	7.598	-0.104	7.702	7.598
Nominal Bonds		Last Close	Change	Prev Close	Current Spot
GC20 (BMK: R207)	↓	7.015	-0.037	7.052	6.983
GC21 (BMK: R2023)	↓	7.200	-0.089	7.289	7.199
GC22 (BMK: R2023)	↓	7.314	-0.020	7.334	7.312
GC23 (BMK: R2023)	↓	7.567	-0.046	7.613	7.566
GC24 (BMK: R186)	↑	8.579	0.005	8.574	8.578
GC25 (BMK: R186)	↑	8.613	0.004	8.609	8.613
GC27 (BMK: R186)	→	9.050	0.000	9.050	9.051
GC30 (BMK: R2030)	↑	10.061	0.066	9.995	10.062
GC32 (BMK: R213)	→	10.793	0.000	10.793	10.793
GC35 (BMK: R209)	↑	11.336	0.006	11.330	11.336
GC37 (BMK: R2037)	↑	11.407	0.003	11.404	11.407
GC40 (BMK: R214)	↑	11.618	0.015	11.603	11.617
GC43 (BMK: R2044)	↓	12.022	-0.060	12.082	12.022
GC45 (BMK: R2044)	↑	12.179	0.010	12.169	12.181
GC50 (BMK: R2048)	↑	12.229	0.055	12.174	12.229
Inflation-Linked Bonds		Last Close	Change	Prev Close	Current Spot
GI22 (BMK: NCPI)	↓	4.360	-0.003	4.363	4.361
GI25 (BMK: NCPI)	→	4.600	0.000	4.600	4.601
GI29 (BMK: NCPI)	→	5.792	0.000	5.792	5.792
GI33 (BMK: NCPI)	→	6.399	0.000	6.399	6.399
GI36 (BMK: NCPI)	↑	6.604	0.001	6.603	6.604
Commodities		Last Close	Change	Prev Close	Current Spot
Gold	↑	1,640.90	3.24%	1,589.44	1,638.44
Platinum	↑	879.69	1.87%	863.51	883.72
Brent Crude	↓	51.86	-0.08%	51.90	52.39
Main Indices		Last Close	Change	Prev Close	Current Spot
NSX Overall Index	↑	537.36	2.10%	526.29	537.36
JSE All Share	↓	52,788.38	-0.32%	52,957.85	52,788.38
S&P 500	↓	3,003.37	-2.81%	3,090.23	3,003.37
FTSE 100	↑	6,718.20	0.95%	6,654.89	6,718.20
Hangseng	↓	26,243.00	-0.16%	26,284.82	26,243.00
DAX	↑	11,985.39	1.08%	11,857.87	11,985.39
JSE Sectors		Last Close	Change	Prev Close	Current Spot
Financials	↑	13,774.30	1.49%	13,571.48	13,740.42
Resources	↑	44,547.03	3.78%	42,925.18	44,185.50
Industrials	↑	68,495.06	1.49%	67,490.19	68,314.33
Forex		Last Close	Change	Prev Close	Current Spot
N\$/US Dollar	↑	15.41	0.20%	15.38	15.36
N\$/Pound	↑	19.76	0.66%	19.63	19.68
N\$/Euro	↑	17.22	0.53%	17.13	17.14
US Dollar/ Euro	↑	1.12	0.90%	1.11	1.12
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↓	2.05	2.59	4.50	4.00
Prime Rate	↓	10.00	10.25	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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