Market Update Friday, 04 September 2020

Global Markets

Asia's stock markets had their worst session in two weeks on Friday following a tech-led plunge on Wall Street, though gains in safer assets like bonds and dollars were muted as investors awaited U.S. job data to see if it triggers a bigger selloff.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 1.6% and looked set for a 2.4% weekly loss, its biggest since April. Japan's Nikkei dropped 1%, Hong Kong's Hang Seng fell 1.8% and Australia's ASX 2.8%. That was shallower than the 5% plunge on the tech-heavy Nasdaq overnight or the S&P 500's 3.5% drop. Those were the steepest Wall Street losses since June, but traders said a correction was overdue given recent frothy gains.

"It was steady rather than panic selling throughout," said ING's regional head of research Rob Carnell. "It just doesn't sound or feel like anything other than a bit of profit taking...if this was a massive risk-off move, you'd have expected the dollar to rally, and it didn't really." The focus is on U.S. payrolls figures due at 1230 GMT, which are seen as a possible selling trigger if it disappoints economists' expectations that some 14 million jobs were created in August.

Futures traded under pressure but backed off early-session lows in Asia. Nasdaq 100 futures were last down 1.3%, S&P 500 futures were down 0.3%. Dow futures were flat. The dollar was steady, but a drop in the euro over last few days on talk that the European Central Bank is concerned about its strength had the greenback eying its best week in more than two months against a basket of currencies. The euro seems to have arrested its slide for now, and sat at $1.1852. The Antipodeans were under gentle pressure while the yen was steady at 106.16 per dollar. Bonds pared what was a pretty modest rise overnight, given the selloff in the equity market. Benchmark U.S. 10-year bond yields rose 1.5 basis points on Friday, having fallen about 3 basis points overnight.

Thursday's tumble was the biggest one-day percentage drop on the tech-focused Nasdaq 100 since March and the darling stocks of recent months were hit hardest. Apple fell 8%, Tesla 9% and Microsoft 6%. Still, the plunge only wound the Nasdaq back as far as where it sat last Tuesday. It is still up 28% for the year so far and 73% higher than its March trough.

"No single factor sparked the sell-off," said Kerry Craig, Global Market Strategist at J.P. Morgan Asset Management, citing more general worries the rally had run too far, too fast. "However, this is unlikely to be a repeat of the tech wreck of the late 1990s, given how much the market and sector have changed," he added. Tech selling in Asia was limited. In South Korea Samsung fell 1.6% and there was modest pressure on Apple suppliers in Shanghai and Taipei. But falls in consumer staples and financials led losses on the Hong Kong and China bourses. Australia's soaring consumer lender Afterpay, which seems to track the tech sector, fell 5% and is set for its worst weekly percentage drop since March.

In commodity markets, the stronger dollar has kept pressure on prices. Oil was headed for a weekly loss amid worries about demand as the U.S. summer driving season draws to a close. Brent crude futures fell 1% to $43.64 a barrel and U.S. crude also fell 1% to 40.93 a barrel. Gold drifted lower as equities sold off overnight but was last up 0.2% for the day at $1,934 an ounce.

Domestic Markets

South Africa's rand firmed on Thursday, joining fellow emerging market currencies in an advance against a weaker dollar that shielded it from domestic economic issues.

At 1500 GMT the rand was 0.58% firmer at 16.7175 per dollar compared to an overnight close of 16.8100.

The rand has struggled for momentum in recent sessions, despite global demand for risk currencies, which have been spurred by dimming hopes of a quick U.S. economic recovery and jitters heading into U.S. elections in November.

While the dollar paused its slide to a 28-month low earlier this week, high-yielding units like the rand drew buyers hungry for returns. Concerns about local politics and evidence the local economy is still weak, however, have kept rand bets cautious.

Data on Thursday showed the number of new U.S. claims for unemployment benefits fell, but not enough to signal strong economic recovery.

Locally, South African private sector activity contracted for the 16th straight month in August, albeit at a slower rate, as COVID-19 lockdown restrictions continued to depress demand and sentiment. A third day of nationwide power cuts by state utility Eskom also restrained demand for the rand.

Bonds firmed, with the yield on the benchmark 2030 government issue down 2 basis points to 9.115%.

In the equity market, Eskom's accelerated power cuts drove stocks lower. Mining and retail firms often cite power cuts as a risk to trading. Furniture retailer Lewis Group led the decliners, sinking 7.67%. Gold miners also fell due to weaker bullion prices. The gold index closed 0.49% lower. The Johannesburg all-share index fell 2.4% to 54,522 points while the Top-40 index declined 2.63%.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		04-Sep-2020		7:32
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	26,299,338	275,765	867,401	17,507,744

Market Overview

MARKET INDICATORS (Thomson Reuters)					04 September 2020
Money Market TB's		**Last close**	**Difference**	**Prev close**	**Current Spot**
3 months	➩	3.96	0.000	3.96	3.96
6 months	➩	4.07	0.000	4.07	4.07
9 months	⬇	4.13	-0.025	4.15	4.13
12 months	⬇	4.17	-0.025	4.20	4.17
Nominal Bonds		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC21 (BMK: R208)	⬇	4.10	-0.080	4.18	4.10
GC22 (BMK: R2023)	⬆	5.14	0.015	5.13	5.13
GC23 (BMK: R2023)	⬆	5.11	0.015	5.10	5.10
GC24 (BMK: R186)	⬇	7.55	-0.005	7.56	7.55
GC25 (BMK: R186)	⬇	7.56	-0.005	7.57	7.56
GC26 (BMK: R186)	⬇	7.60	-0.005	7.61	7.60
GC27 (BMK: R186)	⬇	7.85	-0.005	7.86	7.85
GC30 (BMK: R2030)	⬇	9.41	-0.015	9.43	9.42
GC32 (BMK: R213)	⬇	10.24	-0.025	10.27	10.25
GC35 (BMK: R209)	⬇	11.59	-0.025	11.61	11.60
GC37 (BMK: R2037)	⬇	12.18	-0.020	12.20	12.19
GC40 (BMK: R214)	⬇	12.77	-0.025	12.79	12.75
GC43 (BMK: R2044)	⬇	13.07	-0.035	13.10	13.08
GC45 (BMK: R2044)	⬇	13.62	-0.035	13.65	13.63
GC50 (BMK: R2048)	⬇	13.70	-0.030	13.73	13.71
Inflation-Linked Bonds		**Last close**	**Difference**	**Prev close**	**Current Spot**
GI22 (BMK: NCPI)	➩	4.49	0.000	4.49	4.49
GI25 (BMK: NCPI)	➩	4.49	0.000	4.49	4.49
GI29 (BMK: NCPI)	➩	5.98	0.000	5.98	5.98
GI33 (BMK: NCPI)	➩	6.82	0.000	6.82	6.82
GI36 (BMK: NCPI)	➩	7.15	0.000	7.15	7.15
Commodities		**Last close**	**Change**	**Prev close**	**Current Spot**
Gold	⬇	1,931	-0.62%	1,943	1,933
Platinum	⬇	889	-1.80%	906	892
Brent Crude	⬇	44.1	-0.81%	44.4	43.7
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	⬇	1,029	-3.04%	1,061	1,029
JSE All Share	⬇	54,522	-2.40%	55,862	54,522
SP500	⬇	3,455	-3.51%	3,581	3,455
FTSE 100	⬇	5,851	-1.52%	5,941	5,851
Hangseng	⬇	25,008	-0.45%	25,120	24,633
DAX	⬇	13,058	-1.40%	13,243	13,058
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	⬇	9,460	-2.52%	9,705	9,460
Resources	⬇	54,058	-3.06%	55,762	54,058
Industrials	⬇	74,382	-2.22%	76,073	74,382
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	⬇	16.72	-0.35%	16.78	16.71
N$/Pound	⬇	22.21	-0.93%	22.42	22.18
N$/Euro	⬇	19.82	-0.44%	19.90	19.80
US dollar/ Euro	⬇	1.185	-0.03%	1.185	1.185
		Namibia		**RSA**	
Economic data		**Latest**	**Previous**	**Latest**	**Previous**
Inflation	➩	2.1	2.1	3.2	2.2
Prime Rate	⬇	7.50	8.00	7.00	7.25
Central Bank Rate	⬇	3.75	4.00	3.50	3.75

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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