



Market Update

Wednesday, 05 February 2020

Global Markets

Asian stocks steadied on Wednesday as Chinese stocks nudged higher on hopes of additional stimulus to lessen the economic impact of a coronavirus outbreak, but risks remain as the illness continues to spread and the death toll neared 500.

MSCI's broadest index of Asia-Pacific shares outside Japan was up 0.36%. Shares in China rose 0.5% while stocks in Hong Kong climbed 0.42% in early trading. The onshore yuan was little changed versus the dollar, highlighting the cautious mood as investors monitor the impact of the virus. The safe-haven yen and Swiss franc nursed losses versus the dollar. Oil prices bounced in Asia on hopes for more output cuts from OPEC and its allies but sentiment remained weak on worries about a long-term dent in demand for energy and other commodities.

China and other countries have imposed travel restrictions to try to contain a new virus that emerged in the central Chinese city of Wuhan late last year, slamming the breaks on manufacturing and tourism in the world's second-largest economy. Many investors argue that any slowdown will be temporary and that Chinese policy steps are reason to remain optimistic about the growth outlook, but so far public health officials have not found a way to stop the spread of the virus both inside and outside of China. "We're going to have a strong day in Asia, but whether this is the reversal of a downtrend remains to be seen," said Michael McCarthy, chief market strategist at CMC Markets in Sydney. "Oil investors remain pessimistic about demand disruptions, but equity investors, especially overseas, are discounting the impact of the virus."

Australian shares were up 0.37%, buoyed by gains in the mining sector. Japan's Nikkei stock index rose 0.99%, supported by shares of industrial equipment makers. U.S. stock futures fell 0.23% in Asia on Wednesday. The S&P 500 rose 1.5% on Tuesday and the tech-heavy Nasdaq rose to a record high.

The People's Bank of China (PBOC) is likely to lower its key lending rate - the loan prime rate - on Feb. 20, and cut banks' reserve requirement ratios in the coming weeks, policy sources told Reuters. The PBOC has already pumped hundreds of billions of dollars into the financial system this week. This helped Chinese stocks stabilise on Tuesday following a rout that wiped out around \$700 billion in market capitalisation on Monday when Chinese markets opened after an extended holiday.

The virus has already claimed nearly 500 lives. Japan's health minister said on Wednesday 10 people on a cruise ship at the port of Yokohama have tested positive for the new virus. In the onshore

market, the yuan held steady at 6.9970 per dollar after rising 0.3% on Tuesday. The yen traded at 109.48 per dollar, close to the lowest in almost a week. The Swiss franc held steady at 0.9696 versus the dollar following a 0.3% decline on Tuesday.

Benchmark 10-year Treasury yields edged up to 1.6026% in a sign of receding concern about the coronavirus. U.S. crude ticked up 1.27% to \$50.24 a barrel, and Brent crude rose to 0.74% to \$54.63 per barrel in recovery from declines on Tuesday. OPEC and its allies are considering cutting oil output by a further 500,000 barrels per day (bpd) due to the impact on oil demand from the coronavirus, sources tell Reuters. Brent futures have lost around 16% since China confirmed on Jan. 21 that human-to-human infection of the previously unknown virus is possible, which kicked off a rout in global markets as the number of cases and the death toll rose.

Source: Thomson Reuters

Domestic Markets

South Africa's rand firmed against the dollar on Tuesday as risk appetite picked up after China announced measures to minimise the economic impact from the coronavirus epidemic, but the unit remained vulnerable to concerns over a weak local economy. At 1505 GMT, the rand traded at 14.7330 per dollar, 0.93% firmer than its previous close.

China's central bank said on Tuesday that its huge liquidity injections through open market operations this week showed its determination to stabilise financial market expectations and restore market confidence. The measures came after a coronavirus-led rout that erased almost \$400 billion of market value from Shanghai's benchmark index on Monday. "Sentiment, however, remains bruised and any indication that cures for or containment of the coronavirus are failing, will trigger another sell-off," said RMB analyst Nema Ramkhelawan-Bhana.

The rand has tumbled 5.3% against the greenback since the beginning of the year, also hit by signs of weakness in the local economy. The currency remained vulnerable as problems at state power utility Eskom pile pressure on an already ailing economy. Eskom last week resumed nationwide 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.

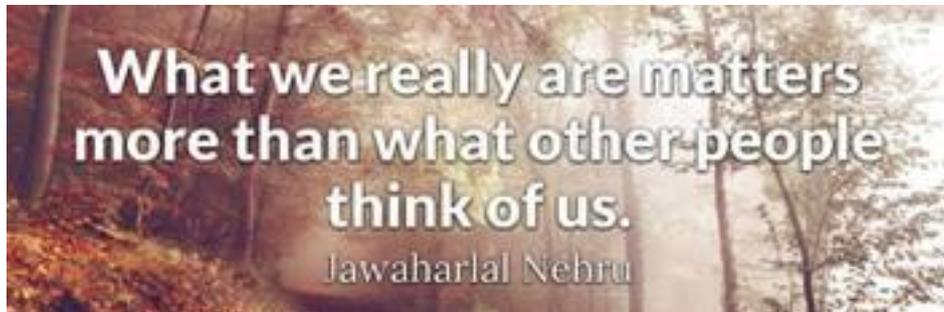
On the bourse, stocks rose to a more than one-week high, with retailer Steinhoff International topping the gainers following a report of a possible takeover bid for its European retail group Pepco. Steinhoff soared to a more than seven-month high to record its biggest one-day rise in more than two years. It closed 47.22% firmer at 1.59 rand. Sky News reported that Advent International, which offloaded Poundland for 200 million pounds (\$260.36 million) a decade ago, has teamed up with Hellman & Friedman and Mid Europa Partners to prepare a blockbuster bid that could value Pepco Group at more than 4.5 billion euros (\$4.97 billion). "There might be speculative buying that if that deal goes through it might unlock some value," said Cratos Capital equities trader Greg Davies. If the deal is to go ahead, it will provide parent firm Steinhoff with much-needed liquidity after it was forced to write off billions after the revelations of an accounting scandal worth an estimated \$7 billion.

The Johannesburg All-Share index jumped 1.77% to 56,817 points, while the Top-40 index climbed 1.98% to 50,892 points as risk appetite returned. Strong precious metal prices such as palladium, up 2.66% at \$2,381, also helped boost platinum miners which were among the top gainers on the

burse. Impala Platinum jumped 6.98%, Anglo Platinum rose 6.53%, while Royal Bafokeng Platinum climbed 4.55% and Northam Platinum gained 4.48%.

In fixed income, the yield on the benchmark bond was down 1.7 basis points to 7.943%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Wednesday, 05 February 2020				
Money Market TB's		Last close	Difference	Prev close	Current Spot	
3 months	⇒	7.45	0.000	7.45	7.45	
6 months	⇒	7.65	0.000	7.65	7.65	
9 months	⇒	7.71	0.000	7.71	7.71	
12 months	⇒	7.75	0.000	7.75	7.75	
Nominal Bonds		Last close	Difference	Prev close	Current Spot	
GC20 (BMK: R207)	↓	7.49	-0.011	7.50	7.48	
GC21 (BMK: R2023)	↓	7.64	-0.005	7.64	7.61	
GC22 (BMK: R2023)	↑	7.34	0.020	7.32	7.31	
GC23 (BMK: R2023)	↑	8.04	0.020	8.02	8.01	
GC24 (BMK: R186)	↓	8.60	-0.005	8.60	8.58	
GC25 (BMK: R186)	↓	8.50	-0.005	8.50	8.48	
GC27 (BMK: R186)	↓	8.95	-0.005	8.95	8.93	
GC30 (BMK: R2030)	↓	9.65	-0.020	9.67	9.62	
GC32 (BMK: R213)	⇒	10.49	0.000	10.49	10.44	
GC35 (BMK: R209)	⇒	10.80	0.000	10.80	10.77	
GC37 (BMK: R2037)	⇒	11.18	0.000	11.18	11.15	
GC40 (BMK: R214)	↑	11.29	0.015	11.27	11.25	
GC43 (BMK: R2044)	↑	11.80	0.005	11.80	11.76	
GC45 (BMK: R2044)	↑	11.95	0.005	11.95	11.91	
GC50 (BMK: R2048)	⇒	11.99	0.000	11.99	11.95	
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	0.000	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	
Commodities		Last close	Change	Prev close	Current Spot	
Gold	↓	1,552	-1.51%	1,576	1,561	
Platinum	↓	963	-0.33%	966	964	
Brent Crude	↓	54.0	-0.90%	54.5	54.2	
Main Indices		Last close	Change	Prev close	Current Spot	
NSX Overall Index	↑	1,256	1.76%	1,235	1,256	
JSE All Share	↑	56,817	1.77%	55,828	56,901	
SP500	↑	3,298	1.50%	3,249	3,298	
FTSE 100	↑	7,440	1.55%	7,326	7,440	
Hangseng	↑	26,676	1.21%	26,357	26,723	
DAX	↑	13,282	1.81%	13,045	13,282	
JSE Sectors		Last close	Change	Prev close	Current Spot	
Financials	↑	14,980	1.82%	14,712	15,003	
Resources	↑	47,642	1.63%	46,877	47,924	
Industrials	↑	72,434	2.19%	70,880	72,308	
Forex		Last close	Change	Prev close	Current Spot	
N\$/US dollar	↓	14.78	-0.63%	14.87	14.81	
N\$/Pound	↓	19.25	-0.36%	19.32	19.27	
N\$/Euro	↓	16.32	-0.77%	16.45	16.34	
US dollar/ Euro	↓	1.104	-0.14%	1.106	1.104	
		Namibia		RSA		
Economic data		Latest	Previous	Latest	Previous	
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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