



Market Update

Thursday, 05 March 2020

Global Markets

Asian shares rallied for a fourth straight session on Thursday as U.S. markets swung sharply higher and another dose of central bank stimulus offered some salve for the global economic outlook. Wall Street seemed to find relief in the strong performance of former Vice President Biden in the Democratic nomination campaign. Biden is considered less likely to raise taxes and impose new regulations than rival Bernie Sanders. The U.S. House of Representatives also approved an \$8.3 billion funding bill to combat the spread of the virus, sending the emergency legislation to the Senate.

In another wild swing, the Dow surged 4.53%, while the S&P 500 gained 4.22% and the Nasdaq 3.85%. Asian markets followed, if more cautiously. MSCI's broadest index of Asia-Pacific shares outside Japan added 0.7%, in its fourth day of gains.

Japan's Nikkei rose 0.9% and hard-hit Australian shares finally managed a bounce of 1.1%. Shanghai blue chips put on 1.3%. E-Mini futures for the S&P 500 dipped 0.6% after its overnight jump, but EUROSTOXX 50 futures rose 0.6% and FTSE futures 0.4%.

The upbeat sentiment comes despite the coronavirus crisis showing no signs of slowing, with mounting deaths globally, Italy closing all of its schools and California declaring a state of emergency as cases there grow. "There is little doubt that the COVID-19 outbreak will slow global growth considerably this quarter, and we expect it to actually produce a rare non-recessionary contraction in GDP," said JPMorgan economist Joseph Lupton. He noted the bank's all-industry PMI measure of activity for February slumped 6.1 points, the largest one-month drop on record, and at 46.1 was at the lowest since May 2009.

The Federal Reserve and Bank of Canada had both responded by cutting interest rates by 50 basis points, and markets in the euro zone are pricing in a 90% chance that the ECB will cut its deposit rate, now minus 0.50%, by 10 basis points next week. Yet, as policymakers grapple with the best strategy to avoid a global recession, some major central bank have been less keen to follow suit. In the end, monetary policy was not a cure for the disease and the impact was likely to get worse before it got better. "As we test more folks for COVID-19 in the United States, the case loads will rise and perhaps exponentially. So in the short-term, risk assets obviously remain beholden to Covid-19 headlines," Tom Porcelli, chief U.S. economist at RBC Capital Markets. "We have to get past the

threshold where COVID-19 shifts from panic to headline exhaustion and subsequent news on it becomes more and more of a fade," he added. "Then risk assets can move higher in earnest."

Healthy, For Now

At least the U.S. economy was in healthy shape to face the risks, with services sector activity jumping to a one-year high in February, while private payrolls gained 183,000. The better data combined with the rally in stocks to nudge 10-year Treasury yields up from all-time lows under 1% to stand at 1.02%. Yields had fallen for 10 straight days, the longest slide in at least a generation.

That move gave the dollar a slight lift, with the euro dipping back to \$1.1140 from a two-month high of \$1.1212 hit earlier in the week. The dollar stood at 107.34 yen, from a five-month trough of 106.84, while the dollar index held steady at 97.333.

Gold steadied after jumping in the wake of the Fed's rate cut, and was last at \$1,638.97 per ounce.

Oil prices rebounded by more than 1% on a smaller-than-expected rise in crude oil inventories in the United States. Brent crude futures firmed 68 cents to \$51.81 a barrel, while U.S. crude added 59 cents to \$47.37.

Source: Thomson Reuters

Domestic Markets

South Africa's rand firmed on Wednesday, finding relief in a surprise rate cut by the U.S. central bank after a sharp selloff triggered by data showing the economy is in recession. At 1525 GMT, the rand was 0.71% firmer at 15.3000 per dollar, backing down from a five-session best of 15.2100 on Tuesday touched after the U.S. Fed delivered an emergency 50 basis point lending rate cut just as local markets closed.

Before that, the stats agency reported Africa's most advanced economy had entered its second recession in two years in the final quarter of last year, shrinking by a forecast-smashing 1.4% as a swathe of industries were hit by months of regular power outages.

The data stoked already bearish sentiment around the currency following last week's budget in which the treasury chopped its 2020 growth forecast to 0.9% and announced estimates of a higher budget deficit - making a credit downgrade by Moody's at the end of the month a near certainty. "It is impossible to know what is going to happen with the world's central banks in full panic mode," said Standard Bank chief trader Warrick Butler.

While the Fed move set off some big inflows into emerging markets as the greenback hovered near five-month lows, early morning moves in risk assets were more muted as investors tried to digest the ongoing impact of the coronavirus. "The action taken by central banks shows their hand, and they are worried. We should be too, then. It's expensive but I feel you have to remain defensive as far as owning risky assets is concerned," Butler added in a note.

Bonds, which have also traded in a volatile range, were on the front foot, with the yield on the 10-year 2030 Government Issue down 9 basis points at 8.875%.

Stocks fell slightly, with the Johannesburg Stock Exchange's Top-40 index slipping 0.23% to 47,560 points and the broader all-share index closing 0.06% lower at 52,927 points.

Gold stocks were the biggest winners, with Gold Fields, AngloGold Ashanti and Sibanye Stillwater topping the blue-chip index, up 5.12%, 4.38% and 3.74% respectively.

Source: Thomson Reuters

Market Overview

MARKET INDICATORS		05 March 2020			
Money Market TB's		Last Close	Change	Prev Close	Current Spot
3 months	↑	7.492	0.038	7.454	7.492
6 months	↓	7.584	-0.066	7.65	7.584
9 months	↓	7.582	-0.083	7.665	7.582
12 months	↓	7.506	-0.092	7.598	7.506
Nominal Bonds		Last Close	Change	Prev Close	Current Spot
GC20 (BMK: R207)	↓	6.978	-0.037	7.015	6.943
GC21 (BMK: R2023)	↓	6.944	-0.256	7.200	6.921
GC22 (BMK: R2023)	↓	7.286	-0.028	7.314	7.280
GC23 (BMK: R2023)	↑	7.647	0.080	7.567	7.646
GC24 (BMK: R186)	↓	8.496	-0.083	8.579	8.457
GC25 (BMK: R186)	↓	8.572	-0.041	8.613	8.557
GC27 (BMK: R186)	↑	9.054	0.004	9.050	9.055
GC30 (BMK: R2030)	↑	10.079	0.018	10.061	10.076
GC32 (BMK: R213)	→	10.793	0.000	10.793	10.793
GC35 (BMK: R209)	↑	11.374	0.038	11.336	11.374
GC37 (BMK: R2037)	↓	11.394	-0.013	11.407	11.416
GC40 (BMK: R214)	↓	11.558	-0.060	11.618	11.645
GC43 (BMK: R2044)	↑	12.100	0.078	12.022	12.100
GC45 (BMK: R2044)	↓	12.132	-0.047	12.179	12.220
GC50 (BMK: R2048)	↓	12.178	-0.051	12.229	12.265
Inflation-Linked Bonds		Last Close	Change	Prev Close	Current Spot
GI22 (BMK: NCPI)	→	4.360	0.000	4.360	4.360
GI25 (BMK: NCPI)	↑	4.601	0.001	4.600	4.601
GI29 (BMK: NCPI)	→	5.792	0.000	5.792	5.792
GI33 (BMK: NCPI)	↑	6.400	0.001	6.399	6.400
GI36 (BMK: NCPI)	→	6.604	0.000	6.604	6.604
Commodities		Last Close	Change	Prev Close	Current Spot
Gold	↓	1,636.93	-0.24%	1,640.90	1,644.20
Platinum	↓	876.30	-0.39%	879.69	869.13
Brent Crude	↓	51.13	-1.41%	51.86	51.25
Main Indices		Last Close	Change	Prev Close	Current Spot
NSX Overall Index	↑	541.55	0.78%	537.36	541.55
JSE All Share	↑	53,352.14	0.80%	52,926.75	53,352.14
S&P 500	↑	3,130.12	4.22%	3,003.37	3,130.12
FTSE 100	↓	6,722.30	-1.37%	6,815.59	6,722.30
Hangseng	↑	26,767.87	2.08%	26,222.07	26,767.87
DAX	↓	12,013.75	-0.94%	12,127.69	12,013.75
JSE Sectors		Last Close	Change	Prev Close	Current Spot
Financials	↑	13,930.35	1.13%	13,774.30	13,956.40
Resources	↓	44,058.13	-1.10%	44,547.03	44,015.58
Industrials	↓	68,370.58	-0.18%	68,495.06	69,533.51
Forex		Last Close	Change	Prev Close	Current Spot
N\$/US Dollar	↓	15.26	-0.97%	15.41	15.32
N\$/Pound	↓	19.65	-0.56%	19.76	19.78
N\$/Euro	↓	16.99	-1.34%	17.22	17.11
US Dollar/ Euro	↓	1.11	-0.89%	1.12	1.12
Economic data		Namibia		RSA	
		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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