



## Market Update

Monday, 06 July 2020

### Global Markets

Asian shares scaled four-month peaks on Monday as investors counted on a revival in Chinese activity to sustain global economic growth, even as surging coronavirus cases delayed re-openings across the United States. MSCI's broadest index of Asia-Pacific shares outside Japan climbed 1.5% to its highest since February.

Eyes were on Chinese blue chips which jumped 4.7%, on top of a 7% gain last week, to their loftiest level in five years. Even Japan's Nikkei, which has lagged with a soft domestic economy, rose 1.8%. "We think there is a case for raising tactical allocation on Asian equities in the context of global equity portfolios," wrote analysts at Nomura in a note. "We see a number of catalysts that could drive Asia ex-Japan equities' outperformance over U.S. equities in the near term," they added. "Better COVID-19 trends and mobility data in economies/markets that dominate the AeJ index should translate into faster economic recovery vs the U.S."

E-Mini futures for the S&P 500 also firmed 1.2%, while EUROSTOXX 50 futures added 2.2% and FTSE futures 1.5%. Most markets had gained ground last week as a raft of economic data from June beat expectations, though the resurgence of coronavirus cases in the United States is clouding the future.

In the first four days of July alone, 15 states have reported record increases in new cases of COVID-19, which has infected nearly 3 million Americans and killed about 130,000, according to a Reuters tally. "It is very clear that the U.S. never got the COVID outbreak under control the way that other countries did. By reopening the economy too soon, we have seen a frightening increase in the pace of new cases," said Robert Rennie, head of financial market strategy at Westpac.

Analysts estimate that reopenings impacting 40% of the U.S. population have now been wound back. "So markets will have to climb a wall of worry in July as economic activity likely softens from the V-shaped recovery seen over recent months," warned Rennie. "We must remember too that U.S. and China relations are deteriorating noticeably." Two U.S. aircraft carriers conducted exercises in the disputed South China Sea on Saturday, the U.S. Navy said, as China also carried out military drills that have been criticised by the Pentagon and neighbouring states.

The risks, combined with unceasing stimulus from central banks, have kept sovereign bonds supported in the face of better economic data. While U.S. 10-year yields edged up to 0.7% on Monday that was well off the June top of 0.959%. Analysts at Citi estimate global central banks are

likely to buy \$6 trillion of financial assets over the next 12 months, more than twice the previous peak.

Major currencies have been largely rangebound with the dollar index at 96.960 having spent an entire month in a snug band of 95.714 to 97.808. The dollar was a shade firmer on the yen at 107.71 on Monday, while the euro edged up to \$1.1281.

In commodity markets, gold has benefited from super-low interest rates across the globe as negative real yields for many bonds make the non-interest paying metal more attractive. Spot gold traded at \$1,772 per ounce just off last week's peak of \$1,788.96. Oil prices were mixed with Brent crude futures up 23 cents at \$43.03 a barrel, while U.S. crude eased 19 cents to \$40.46 amid worries the surge in U.S. coronavirus cases would curb fuel demand.

## Domestic Markets

South Africa's rand weakened on Friday after two days of gains, weighed down by fears of a rebound in global COVID-19 infections and concerns about the local economy.

At 1500 GMT the rand was 0.34% weaker at 17.0373 per dollar, rolling back gains from the previous session that saw the currency rally to a three-week best of 16.8750.

The Johannesburg Stock Exchange (JSE) also slipped on Friday but ended the week 1.6% higher. Losses in the day were also spurred by low liquidity as the U.S. market was closed for a bank holiday.

The rand has struggled for clear momentum in recent weeks, failing to hold levels below the key 17 mark with investors unnerved by the mounting fiscal crisis and an accelerating rate of coronavirus infections.

South Africa reported its biggest daily jump in COVID-19 cases on Thursday, adding 8,728 confirmed infections and taking the total count to 168,061. Deaths rose by 95 to 2,844.

Data this week showed Africa's most advanced economy had contracted in four of the last five quarters, the bleak data coming a week after the Treasury said public debt would breach 90% in the short term.

"Looking further out, there are signs that the rand could stage a recovery towards the end of the year," market economists at ETM Analytics said in a note. "There are, however, significant risks to this outlook, with South Africa still rapidly on its way towards a debt crisis, rendering the local unit extremely vulnerable to any external shocks or reversals of global stimulus programmes."

In stocks, the benchmark FTSE/JSE All Share Index closed down 0.17% to 54,523 points and the Top 40 Companies Index ticked down 0.26% to 50,180 points. Bonds also took a hit, with the yield on the benchmark 2030 government issue rising 15.5 basis points to 9.42%.

Source: Thomson Reuters

## Corona Tracker

GLOBAL CASES SOURCE - REUTERS		06-Jul-2020		8:01
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	11,428,170	2	532,733	5,874,832

## Market Overview

MARKET INDICATORS (Thomson Reuters)				06 July 2020	
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	➡	4.40	0.000	4.40	4.40
6 months	➡	4.57	0.000	4.57	4.57
9 months	⬇	4.63	-0.017	4.65	4.63
12 months	⬇	4.69	-0.008	4.70	4.69
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	➡	4.16	0.000	4.16	4.16
GC22 (BMK: R2023)	⬆	5.89	0.050	5.84	5.88
GC23 (BMK: R2023)	⬆	5.87	0.050	5.82	5.86
GC24 (BMK: R186)	⬆	8.13	0.100	8.03	8.15
GC25 (BMK: R186)	⬆	8.18	0.100	8.08	8.20
GC27 (BMK: R186)	⬆	8.26	0.100	8.16	8.28
GC30 (BMK: R2030)	⬆	10.04	0.165	9.87	10.04
GC32 (BMK: R213)	⬆	10.77	0.185	10.58	10.76
GC35 (BMK: R209)	⬆	11.99	0.170	11.82	12.00
GC37 (BMK: R2037)	⬆	12.48	0.175	12.31	12.47
GC40 (BMK: R214)	⬆	12.78	0.165	12.62	12.76
GC43 (BMK: R2044)	⬆	13.35	0.155	13.20	13.39
GC45 (BMK: R2044)	⬆	13.52	0.155	13.37	13.56
GC50 (BMK: R2048)	⬆	13.54	0.165	13.37	13.54
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)	➡	6.70	0.000	6.70	6.70
GI36 (BMK: NCPI)	➡	6.99	0.000	6.99	6.99
Commodities		Last close	Change	Prev close	Current Spot
Gold	⬇	1,775	-0.02%	1,775	1,775
Platinum	⬇	800	-0.39%	803	806
Brent Crude	⬇	42.8	-0.79%	43.1	43.2
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬇	1,046	-1.44%	1,061	1,046
JSE All Share	⬇	54,522	-0.17%	54,617	54,522
SP500	➡	3,130	0.00%	3,130	3,130
FTSE 100	⬇	6,157	-1.33%	6,240	6,157
Hangseng	⬆	25,373	0.99%	25,124	26,219
DAX	⬇	12,528	-0.64%	12,608	12,528
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬇	10,150	-0.64%	10,215	10,150
Resources	⬇	50,138	-1.24%	50,768	50,138
Industrials	⬆	76,555	0.52%	76,156	76,555
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬆	17.00	0.01%	17.00	16.93
N\$/Pound	⬆	21.22	0.15%	21.19	21.16
N\$/Euro	⬆	19.12	0.10%	19.10	19.11
US dollar/ Euro	⬆	1.125	0.09%	1.124	1.129
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	⬆	2.1	1.6	3.0	4.1
Prime Rate	⬇	7.75	8.00	7.25	7.75
Central Bank Rate	⬇	4.00	4.25	3.75	4.25

**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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