Market Update Monday, 07 September 2020

Global Markets

Asian shares were on the defensive on Monday as investors grappled with sky-high valuations against the backdrop of a global economy in the grip of a deep coronavirus-induced recession while oil prices dropped sharply.

Chinese stocks started lower while shares of Hong Kong-listed Semiconductor Manufacturing International Corp (SMIC) plunged to the lowest since June 16 on fears the firm could be added to a U.S. trade blacklist. China's blue-chip index slipped 0.3%. Japan's Nikkei fell 0.2% with SoftBank coming under heavy selling following media reports it has spent at least $4 billion buying call options on listed U.S. technology stocks. Australian shares, which had opened in the red, reversed losses to be up 0.1%, while South Korea added 0.7%. That left MSCI's broadest index of Asia-Pacific shares outside Japan up a tad after two straight days of losses toppled it from a 2-1/2-year peak last week.

World shares hit a record high last week as central bank stimulus drove asset valuations to heady levels. The rally has since cooled as tech stocks sold off while worries over patchy economic recovery dogged investors. Also weighing on the outlook, data showed China imports fell 2.1% in

August from a year earlier, confounding expectations for a 0.1% increase, in a sign of sluggish domestic demand. Exports jumped by a larger-than-expected 9.5%.

E-Mini futures for the S&P 500 slipped 0.1% and Nasdaq futures slid 0.7%. U.S. markets will be closed on Monday for the Labour Day holiday. Nasdaq futures were dragged lower by the exclusion of Tesla from a group of companies that were being added to the S&P 500.

Analysts at Jefferies expect the equities market correction to extend further. "Our risk indices have begun to turn from their euphoria highs," Jefferies said. "It is not unthinkable that global equities are set to churn in a range for a while as some of the orphan sectors/countries are refranchised while the richly valued sectors pause or unwind," it added. "On the balance of probabilities, last week's correction has further room to go."

Jefferies said it was switching its weighting on MSCI All World index to "tactically bearish" in the short term. It noted that a gauge of volatility has nudged higher in the past three months alongside a steepening in the U.S. 10-year to 5-year Treasury yield curve as well as the 30-year to 5-year curve. "We wonder how much moves in both would upset the equity market," Jefferries said.

Later this week, investors will look for data on U.S. inflation with both producer and consumer prices expected to remain mostly steady. "With slack in the labour market and broader economy to remain for years, it's hard to see where sustainably higher inflation will come from," Brown Brothers Harriman said in a note. "That said, the bottom line is that U.S. rates will stay lower for longer. Full stop."

In commodities, oil prices dropped more than $1 a barrel, hitting their lowest since July, after Saudi Arabia made the deepest monthly price cuts for supply to Asia in five months. Fading optimism about demand recovery amid the coronavirus pandemic also hung heavy. U.S. crude fell 1% to $39.36 a barrel. Brent crude skidded 0.8% to $42.30.

Policy meetings at the Bank of Canada on Wednesday and the European Central Bank the following day were also on investors' radar, with both expected to keep policy steady. Action in the forex market was muted. In currencies, the dollar was flat against the yen at 106.28 ahead of a heavy week of macroeconomic data with figures on household spending, current account and gross domestic product due on Tuesday. The euro held at $1.1838 while the British pound was 0.3% weaker at $1.3241 ahead of a new round of Brexit talks with the European Union on Monday.

Domestic Markets

South Africa's rand firmed on Friday, supported by the lure of higher yields and a slide in the dollar after jobs growth slowed in the United States.

At 1600 GMT the rand was 0.75% firmer at 16.6050 per dollar, from a close of 16.7300 overnight in New York.

The greenback was on the back foot after employment growth slowed further in August as financial assistance from the government ran out, threatening the economy's recovery from the COVID-19 recession.

Locally, a light data release calendar has seen the rand driven mainly by offshore issues. The return of nationwide electricity blackouts this week has kept the unit from making major headway.

But with second quarter economic growth data due on Tuesday and expected to show a steep contraction, the rand, among the highest-yielding emerging market currencies, saw some buying from investors wanting to pocket short-term gains.

Economists polled by Reuters in August lowered their forecasts again, and now expect an annualised 44.5% contraction in the April-June quarter, compared with the median estimate in a July poll for a 38.7% fall.

A slew of factors fuelled pessimism in the stock market this week, pushing it down to levels seen in the beginning of July. Prospects of continued power cuts and internal political turmoil overruled positive manufacturing data coming from China, Europe, Russia and the local market.

The FTSE/JSE all-share index continued its losing streak, falling 1.2% to 53,879 points on Friday and ending the week down almost 4% from the last week's close. The FTSE/JSE top-40 companies index lost 1.2% to close the week at 49,720 points.

Bonds were weaker, with the yield on the benchmark 2030 bond up 12 basis points at 9.230%.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS			07-Sep-2020	5:32
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	27,096,916	215,927	885,678	18,132,546

Market Overview

MARKET INDICATORS (Thomson Reuters)				07 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	0.000	4.13	4.13
12 months	4.17	0.000	4.17	4.17
Nominal Bonds	**Last close**	**Difference**	**Prev close**	**Current Spot**
GC21 (BMK: R208)	4.11	0.010	4.10	4.10
GC22 (BMK: R2023)	5.22	0.080	5.14	5.19
GC23 (BMK: R2023)	5.19	0.080	5.11	5.16
GC24 (BMK: R186)	7.61	0.060	7.55	7.64
GC25 (BMK: R186)	7.62	0.060	7.56	7.65
GC26 (BMK: R186)	7.66	0.060	7.60	7.69
GC27 (BMK: R186)	7.91	0.060	7.85	7.94
GC30 (BMK: R2030)	9.49	0.075	9.41	9.54
GC32 (BMK: R213)	10.32	0.075	10.24	10.34
GC35 (BMK: R209)	11.66	0.075	11.59	11.71
GC37 (BMK: R2037)	12.25	0.075	12.18	12.30
GC40 (BMK: R214)	12.85	0.080	12.77	12.89
GC43 (BMK: R2044)	13.15	0.080	13.07	13.20
GC45 (BMK: R2044)	13.70	0.080	13.62	13.75
GC50 (BMK: R2048)	13.78	0.080	13.70	13.83
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	1,932	0.10%	1,931	1,929
Platinum	895	0.59%	889	899
Brent Crude	42.7	-3.20%	44.1	42.0
Main Indices	**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	1,034	0.53%	1,029	1,034
JSE All Share	53,879	-1.18%	54,522	53,879
SP500	3,427	-0.81%	3,455	3,427
FTSE 100	5,799	-0.88%	5,851	5,799
Hangseng	24,695	-1.25%	25,008	24,630
DAX	12,843	-1.65%	13,058	12,843
JSE Sectors	**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	9,476	0.17%	9,460	9,476
Resources	54,301	0.45%	54,058	54,301
Industrials	72,322	-2.77%	74,382	72,322
Forex	**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	16.62	-0.63%	16.72	16.69
N$/Pound	22.07	-0.62%	22.21	22.03
N$/Euro	19.67	-0.74%	19.82	19.73
US dollar/ Euro	1.184	-0.09%	1.185	1.183
	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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