

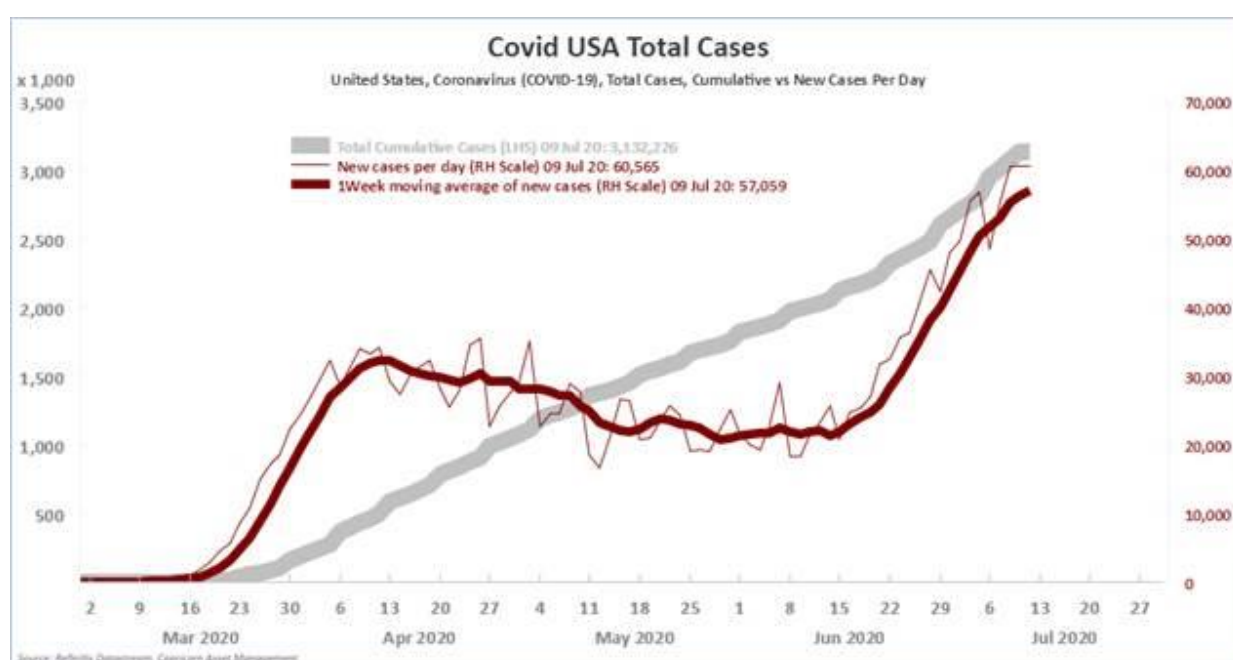


## The Daily Brief

 Capricorn Asset Management

Market Update

Friday, 10 July 2020



## Global Markets

Asian shares and U.S. stock futures fell on Friday as record-breaking new coronavirus cases in several U.S. states stoked concerns that new lockdowns could derail an economic recovery, while investors looked forward to earnings season.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.76%. Australian stocks decreased 0.42%, while Japanese stocks declined by 0.4%. Shares in China decreased 0.72%, the first decline in more than a week, as investors booked profits on a surge in equities to a five-year high. E-mini futures for the S&P 500 erased early gains to trade down 0.01%. The Antipodean currencies fell and the yen rose as traders shunned risk and sought safe havens.

More than 60,500 new COVID-19 infections were reported across the United States on Thursday, the largest single-day tally of cases by any country since the virus emerged late last year in China. That heightened concerns that renewed lockdowns could hurt the economic recovery.

The number of Americans filing for jobless benefits dropped to a near four-month low last week, data showed. But investors remained cautious as the report also said a record 32.9 million people

were collecting unemployment checks in the third week of June, supporting expectations the labour market would take years to recover from the COVID-19 pandemic.

"Weakness in financial stocks, with the bank sub-index down 2.5%, comes ahead of next week's Q2 reporting season that sees JP Morgan, Citigroup and Wells Fargo all report next Tuesday and following news that Wells Fargo is planning to cut 'thousands' of jobs starting later this year," said Ray Attrill, head of FX strategy at National Australia Bank.

On Thursday, the Dow Jones Industrial Average fell 1.39% and the S&P 500 dropped 0.56%, but the tech-heavy Nasdaq rose 0.53% to its fifth record closing high in six days. Mainland China shares fell on Friday for the first time since June 29. Shares had surged to the highest since 2015 on Thursday, fuelled by retail investor enthusiasm and policy support, even as regulators cracked down on margin financing and as state media warned of market risks.

The rise in China's mainland equities has some similarities to the bubble there five years ago, but it is not yet close in scale, and prices could continue to inflate for some time, said Capital Economics economist Oliver Jones. "That said, another boom-bust cycle in China's equities could have even greater knock-on effects for markets elsewhere than before, with foreign holdings far higher now than five years ago," he said. Fuelled by illegal margin lending, the 2015-16 market bubble saw the benchmark Shanghai index fall more than 40% from its peak in just a few weeks.

In the currency market, the yen edged up against the dollar and the euro as investors bought the traditional safe haven. The Australian and New Zealand dollars, which are often traded as a liquid proxy for risk because of their close ties to China's economy, both fell against the greenback. The Aussie also fell as local officials use lockdowns and border restrictions to contain a sudden increase in coronavirus cases.

U.S. crude fell 0.23% to \$39.53 a barrel, while Brent crude edged 0.02% lower to \$42.34 per barrel due to concerns about a long-term decline in global energy demand.

## **Domestic Markets**

South Africa's rand firmed against the dollar on Thursday thanks to a rally in riskier assets globally even as poor manufacturing data at home highlighted the blow to the economy from a coronavirus lockdown.

At 1540 GMT the rand was 0.12% firmer at 16.9000 per dollar, after hitting a four-week high of 16.7975 earlier.

"Markets continue to seesaw, flipping between risk-on and risk-off at the blink of an eye," Bianca Botes, executive director at Peregrine Treasury Solutions, said in a note. "Gold eased from nine-year highs on Thursday, assisting emerging market currencies to recover some ground after weakening earlier in the week."

The rand largely ignored data showing South Africa's manufacturing output fell 49.4% year on year in April, reflecting the impact of a nationwide lockdown on the recession-hit economy. The Johannesburg Stock Exchange (JSE) lost steam after surging for three consecutive trading days this week as poor manufacturing data and a global surge in coronavirus cases caught up with the market.

The benchmark FTSE/JSE All Share Index closed down 0.15% to 55,788 points while the FTSE/JSE Top 40 Companies Index slipped 0.04% to end the day at 51,537 points. The JSE's gold index, which represents 5 top gold mining companies, was at an all-time high on the back of rise in gold prices

globally as investors shunned equities and parked money in safe haven. The index went up 3.5%, but pared some gains to settle down 0.4% from the previous close at 1600 GMT.

In fixed income, the yield on the benchmark 2030 government issue was down 3.5 basis points to 9.650%. **Source: Thomson Reuters**

## Corona Tracker

GLOBAL CASES SOURCE - REUTERS		10-Jul-2020		4:01
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	12,304,441	215,203	553,813	6,506,858

Debt, n. An ingenious substitute for the chain and whip of the slavedriver.

**Ambrose Bierce**

## Market Overview

MARKET INDICATORS (Thomson Reuters)					10 July 2020
<b>Money Market TB's</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	➡	4.40	0.000	4.40	4.40
6 months	⬆	4.57	0.008	4.56	4.57
9 months	⬆	4.68	0.017	4.66	4.68
12 months	⬆	4.75	0.033	4.71	4.75
<b>Nominal Bonds</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC21 (BMK: R208)	⬆	4.08	0.010	4.07	4.07
GC22 (BMK: R2023)	⬇	5.91	-0.020	5.93	5.92
GC23 (BMK: R2023)	⬇	5.89	-0.020	5.91	5.90
GC24 (BMK: R186)	⬇	8.27	-0.035	8.31	8.27
GC25 (BMK: R186)	⬇	8.32	-0.035	8.36	8.32
GC27 (BMK: R186)	⬇	8.40	-0.035	8.44	8.40
GC30 (BMK: R2030)	⬇	10.26	-0.035	10.30	10.27
GC32 (BMK: R213)	⬇	10.99	-0.045	11.03	10.99
GC35 (BMK: R209)	⬇	12.19	-0.100	12.29	12.19
GC37 (BMK: R2037)	⬇	12.70	-0.085	12.78	12.69
GC40 (BMK: R214)	⬇	12.98	-0.100	13.08	12.98
GC43 (BMK: R2044)	⬇	13.63	-0.085	13.72	13.62
GC45 (BMK: R2044)	⬇	13.80	-0.085	13.89	13.79
GC50 (BMK: R2048)	⬇	13.81	-0.070	13.88	13.80
<b>Inflation-Linked Bonds</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
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
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	⬇	1,803	-0.40%	1,810	1,801
Platinum	⬇	833	-1.21%	844	826
Brent Crude	⬇	42.4	-2.17%	43.3	42.0
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	⬆	1,084	0.77%	1,076	1,084
JSE All Share	⬇	55,788	-0.15%	55,871	55,788
SP500	⬇	3,152	-0.56%	3,170	3,152
FTSE 100	⬇	6,050	-1.73%	6,156	6,050
Hangseng	⬆	26,210	0.31%	26,129	25,903
DAX	⬇	12,489	-0.04%	12,495	12,489
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	⬆	10,340	0.63%	10,275	10,340
Resources	⬇	52,587	-0.39%	52,793	52,587
Industrials	⬇	77,428	-0.10%	77,503	77,428
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	⬇	16.82	-0.61%	16.93	16.89
N\$/Pound	⬇	21.20	-0.66%	21.34	21.25
N\$/Euro	⬇	18.98	-1.01%	19.18	19.04
US dollar/ Euro	⬇	1.128	-0.42%	1.133	1.127
		<b>Namibia</b>		<b>RSA</b>	
<b>Economic data</b>		<b>Latest</b>	<b>Previous</b>	<b>Latest</b>	<b>Previous</b>
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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