

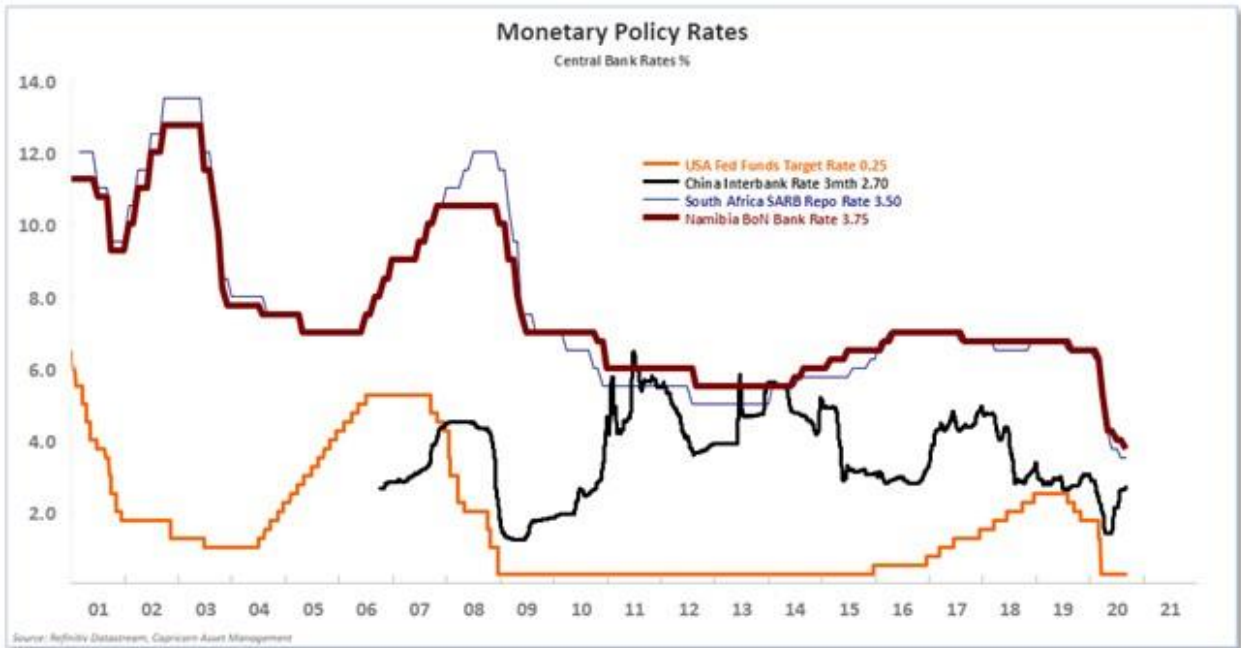


The Daily Brief

Capricorn Asset Management

Market Update

Thursday, 10 September 2020



Air Namibia plans 50% cut to wages of some workers

Air Namibia is planning to halve the salaries of employees who have been furloughed since March and to hold off filling vacant posts as it battles a revenue drop worsened by the government's coronavirus travel ban. In a letter seen by Reuters on Wednesday, Air Namibia Acting Chief Executive Theo Mberirua said the airline intended to slash wages for employees who have been staying at home since the government introduced the travel ban earlier this year.

Air Namibia has been operating with about 57% of its workforce for the past five months, with the remainder, which includes cabin crew members, pilots and general groundstaff, on furlough. The cash-strapped national carrier, which operates 10 aircraft and has some 800 staff, needs around 8 billion Namibian dollars (\$477 million) to stay afloat, but the government has only offered a tenth of that in bail-outs.

"As advised, Air Namibia intends reducing salaries by 50% until such time that operations resume and salaries can be paid in full," the chief executive said. "The financial losses incurred by the airline over the previous five financial years have left (it) in a state requiring immediate intervention on all

fronts," he said. President of the Namibia Cabin Crew Union Reginald Kock said the airline management had declared war on its workers, and that workers would oppose the wage cuts.

Global Markets

Asia's stock markets snapped their longest losing streak since February on Thursday and rose following a bounce on Wall Street, though subdued trade in currency, commodity and bond markets suggested investors remain cautious about the outlook.

MSCI's broadest index of Asia-Pacific shares outside Japan gained half a percent, lifting away from a one-month low made on Wednesday. Japan's Nikkei rose 0.5% and markets in Shanghai and Hong Kong opened higher. But pressure returned to the oil price on worries about soft demand, a harbinger of weaker global growth. An overnight rally in riskier currencies also paused, as foreign exchange traders look for the European Central Bank's tone at its meeting later on Thursday to guide the next move for the euro, dollar and the broader market.

S&P 500 futures and Nasdaq 100 futures each fell 0.4% in Asia. Indonesia's main stock index dropped 4% to its lowest in more than a month on news the country's capital Jakarta will reinstate social distancing restrictions due to a rise in coronavirus infections. "The price action suggests that strong buying interest remains on market corrections given the backdrop of ample central bank liquidity," economists Liz Kendall and Brian Martin at ANZ Bank said in a note. "However, with some volatility having returned to markets it's too soon to say whether the rout is over, or whether last night's recovery is simply a pause," they added.

Overnight on Wall Street the tech-heavy Nasdaq posted its steepest rise in more than four months, gaining 2.7%, to halt a three-session sell-off that whacked tech stocks. Stay-at-home companies such as Facebook Inc and Google-parent Alphabet Inc climbed, while electric-car maker Tesla Inc rebounded nearly 11%, a day after suffering its biggest ever percentage drop. The Dow rose 1.6% and the S&P 500 2% and bonds sold off in concert with the rally. The yield on benchmark 10-year U.S. government debt rose about 2 basis points to 0.71% overnight, with soft demand at a \$35 billion auction. That retraced a little bit to sit at 0.6951% in Asia.

The rebound in equities has steadied a sharp selloff that has highlighted the fragility of a rally that has carried the Nasdaq up 70% from March lows. "It's a double-edged sword," said Oriano Lizza, sales trader at CMC Markets in Singapore, as retail investors who had great success on the way up now facing a tougher environment. "This is where there's a lot of trepidation," he said. "The market structure is dislocated at the moment... with stimulus and (markets at) all-time highs - there's no reference point."

The ECB policy decision at 1145 GMT, followed by a news conference from President Christine Lagarde at 1230 GMT, is the next focus for investors. Earlier in the week worries that the bank is concerned at the euro's recent rise had the euro under pressure. However, hopes for an improving economic outlook, following a Bloomberg News report that ECB economic projections would be broadly steady since June, had the euro on the front foot in Asia at \$1.1817. "The risk now is that the euro could lift after the ECB meeting, if that is the case and there is more confidence," said Commonwealth Bank of Australia currency analyst Kim Mundy, something that would pull other currencies higher on the dollar.

Elsewhere oil prices paring some overnight gains on worries about fuel demand after data showed U.S. crude stockpiles rose last week, rather than dropping as expected. Brent crude futures fell 0.4%

to \$40.63 a barrel and U.S. crude futures fell 0.6% to \$37.82 a barrel. Gold was steady at \$1,943 an ounce.

Domestic Markets

South Africa's rand recovered on Wednesday after a sharp fall in the previous session when data showed the economy contracted by the most on record in the second quarter.

At 1500 GMT, the rand was 1.85% firmer at 16.6175 per dollar, after slumping more than 1% on Tuesday when a plunge in gross domestic product rattled already fragile investor sentiment.

"Despite all of this negativity, the rand is standing tall against the dollar and other G10 currencies today," said Lukman Otunuga, senior research analyst at FXTM. "The rand remains influenced by external drivers in the form of COVID-19 developments, US-China trade and global sentiment. If the rand can keep up this positive momentum, prices may test 16.50 in the near term."

Africa's most advanced economy shrank 51% in the second quarter due to the coronavirus restrictions, its fourth consecutive quarterly contraction, data showed on Tuesday. On Wednesday, a survey showed that South Africa's business confidence recovered from an all-time low in the third quarter of the year as coronavirus-led curbs were largely lifted, but consumer sentiment remained heavily depressed.

This helped buoy stocks, with the Johannesburg Stock Exchange's All-Share Index seeing its biggest daily rise since Aug. 4 in terms of points. It ended the day 1.42% higher, at 55,211 points. The blue-chip Top-40 index gained 1.31% to 50,838 points.

Companies that benefit from a strong economy, namely banks and retailers, led the blue-chip index higher, with retailer Shoprite the biggest gainer. It rose more than 10%, followed closely by three of South Africa's major banks - Standard Bank, Nedbank and Absa - which closed up 9%, 8.9% and 8.2% respectively.

Bonds weakened, with the yield on the benchmark 2030 government paper up 2 basis points to 9.275%.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		10-Sep-2020		6:17
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	27,852,424	271,986	902,216	18,825,378

Market Overview

MARKET INDICATORS (Thomson Reuters)		10 September 2020			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	↓	3.94	-0.025	3.96	3.94
6 months	↓	4.01	-0.041	4.05	4.01
9 months	↓	4.03	-0.059	4.09	4.03
12 months	↓	4.05	-0.075	4.12	4.05
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↑	4.23	0.125	4.10	4.23
GC22 (BMK: R2023)	↓	5.08	-0.030	5.11	5.09
GC23 (BMK: R2023)	↓	5.05	-0.030	5.08	5.06
GC24 (BMK: R186)	↓	7.50	-0.080	7.58	7.51
GC25 (BMK: R186)	↓	7.51	-0.080	7.59	7.52
GC26 (BMK: R186)	↓	7.55	-0.080	7.63	7.56
GC27 (BMK: R186)	↓	7.80	-0.080	7.88	7.81
GC30 (BMK: R2030)	↑	9.59	0.035	9.56	9.59
GC32 (BMK: R213)	↑	10.39	0.025	10.36	10.40
GC35 (BMK: R209)	↑	11.75	0.015	11.73	11.76
GC37 (BMK: R2037)	↑	12.37	0.030	12.34	12.38
GC40 (BMK: R214)	↑	12.95	0.020	12.93	12.96
GC43 (BMK: R2044)	↑	13.24	0.020	13.22	13.25
GC45 (BMK: R2044)	↑	13.79	0.020	13.77	13.80
GC50 (BMK: R2048)	↑	13.85	0.020	13.83	13.86
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	↑	1,945	0.72%	1,931	1,948
Platinum	↑	919	1.92%	901	921
Brent Crude	↑	40.7	2.19%	39.8	40.8
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,093	3.36%	1,057	1,093
JSE All Share	↑	55,211	1.42%	54,439	55,211
SP500	↑	3,399	2.01%	3,332	3,399
FTSE 100	↑	6,013	1.39%	5,930	6,013
Hangseng	↓	24,469	-0.63%	24,624	24,511
DAX	↑	13,237	2.07%	12,968	13,237
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	10,338	5.80%	9,771	10,338
Resources	↑	55,170	0.42%	54,940	55,170
Industrials	↑	73,152	0.84%	72,541	73,152
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	16.62	-1.88%	16.94	16.65
N\$/Pound	↓	21.59	-1.80%	21.98	21.66
N\$/Euro	↓	19.61	-1.66%	19.94	19.69
US dollar/ Euro	↑	1.180	0.21%	1.178	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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