



## Market Update

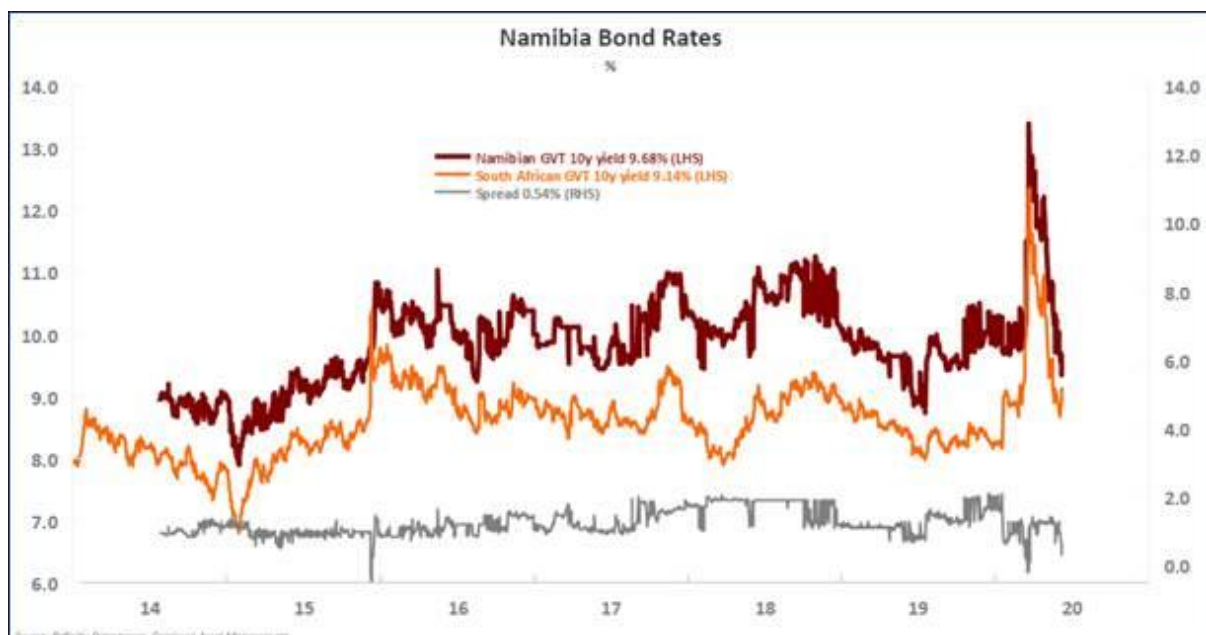
Thursday, 11 June 2020

### Namibia Bond Tender

This week we saw another Namibian Government bond tender. N\$1.1bn was tendered for N\$245m on offer – a bid/offer ratio of 4.5 times (see table). This means that the demand for Government bonds remain high while the capital market remains liquid.

Bond tender 10 June 20	GC23	GC27	GC32	GC37	GC43	Total
Offered N\$	50,000,000	50,000,000	50,000,000	50,000,000	45,000,000	245,000,000
Bids N\$	245,000,000	274,680,000	265,510,000	198,750,000	113,550,000	1,097,490,000
Bid/offer	4.9	5.5	5.3	4.0	2.5	4.5
Allocated N\$	50,000,000	50,000,000	50,000,000	50,000,000	45,000,000	245,000,000
Maturity	15 October 2023	15 January 2027	15 April 2032	15 July 2037	15 July 2045	n/a
Yield %	6.0	8.0	10.3	12.1	12.9	n/a

In the Daily Brief of the 5<sup>th</sup> of June, we pointed out the high borrowing requirement of Government, which is keeping yields high. Another factor to consider is the fact that the “GCs” are priced off the RSA bonds. Each GC has an equivalent “benchmark” bond. For instance, the GC23 has the R2023 as its benchmark, the GC27 the R186, the GC32 the R213, etc. The difference between the yields on the GC’s and that of the RSA’s, also called the “spread”, is not constant. The spread is determined by the relative market conditions of Namibia vs that of SA.



The chart depicts the generic 10-yr bond yield of Namibia and that of SA, with the spread between them. One can clearly see the "Covid-related" spike in yields which has subsequently abated. And the spread has decreased over the past month or so from 144bp to around 54bp currently.

## Global Markets

Asian shares eased on Thursday while bonds rallied after a downbeat economic outlook from the U.S. Federal Reserve stoked speculation it would have to add to already historic levels of stimulus to safeguard recovery. Still, stock losses were modest given the scale of their recent rise.

MSCI's broadest index of Asia-Pacific shares outside Japan dipped 0.3%, a natural pause after 10 straight sessions of gains. Japan's Nikkei slipped 1.1% as the yen firmed, while Chinese blue chips were off 0.4%. E-Mini futures for the S&P 500 were also off 0.4%. The Dow had ended Wednesday down 1.04%, while the S&P 500 lost 0.53%. Bucking the trend, the Nasdaq Composite added 0.67% to a fresh record helped by gains in Microsoft and Apple.

In a challenge to the stock market's recent optimism, the Fed predicted the U.S. economy would shrink 6.5% in 2020 and unemployment would still be at 9.3% at year's end. Data out earlier had also shown core U.S. consumer prices fell for a third straight month in May, the longest stretch of declines on record. As a result, Fed Chair Jerome Powell said he was "not even thinking about thinking about raising rates". Instead, he emphasised recovery would be a long road and that policy would have to be proactive with rates near zero out to 2022.

"While Powell did not commit to any new action at this time, his focus on downside risk and uncertainty reinforces the message that they will take further action, probably by September," was the take of economists at JPMorgan. "Outcome or calendar-based guidance looks likely and Powell left the door open for moving to some form of interest rate caps." Powell confirmed the Fed was studying yield curve control, a form of easing already employed by Japan and Australia.

All of which, saw yields on 10-year Treasuries fall 9 basis points on Wednesday, the biggest daily drop in almost two months. Yields were down at 0.72% on Thursday, a sharp rally from last week's peak of 0.96%.

The risk of more easing kept the U.S. dollar under pressure, seeing it skid to a three-month low on a basket of currencies at 95.714. The dollar carved out a one-month trough on the yen to trade at 106.92, threatening support at 106.72. The euro was firm at \$1.1389 having hit its highest since mid-March.

The prospect of super-low rates for longer was a boon for gold overnight, leaving it at \$1,732 an ounce. Oil prices fell back after U.S. data showed crude inventories had risen to a record high. Brent crude futures fell 88 cents to \$40.85 a barrel, while U.S. crude lost 93 cents to \$38.67.

**Source: Thomson Reuters**

## Domestic Markets

South Africa's rand rose against the dollar on Wednesday, as the U.S. currency weakened amid a cautious mood ahead of the U.S. Federal Reserve's verdict on the health of the economy.

At 1525 GMT the rand was at 16.5800 per dollar, 0.3% firmer than its previous close and trading at its strongest since March 18. Investors were waiting to see if the U.S. Fed reinforces a more upbeat tone that has followed moves in the United States and Europe to reopen economies.

The U.S. dollar weakened broadly amid speculation that the Fed might take measures to curb a recent steepening of the U.S. yield curve. The Fed statement is expected at 1800 GMT. "Any unexpected addition to the Fed's stimulus programme and a more dovish than expected statement or a less-bearish-than-before outlook on economic recovery prospects would re-ignite the risk-on rally of late," ETM Analytics said in a note.

The Johannesburg Stock Exchange (JSE) continued its slide on Wednesday in line with global markets which remained cautious ahead of the U.S. Federal Reserve meeting. Emerging markets also slipped on worries of a surge in coronavirus cases.

The benchmark FTSE/JSE all share index fell 1.49% to end the day at 53,673 points, while the top 40 companies index slid 1.42% to close at 49,205 points. The decrease was mainly led by its banks, with the banking index down 3.63% at close of trading hours.

In fixed income, the yield on the government issue due in 2030 was up 2.5 basis points to 9.140%.

Source: Thomson Reuters

## Corona Tracker

GLOBAL CASES		11-Jun-2020		3:46
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
<b>GLOBAL</b>	7,370,669	118,970	415,239	3,186,793



## Market Overview

MARKET INDICATORS (Thomson Reuters)					11 June 2020
<b>Money Market TB's</b>		Last close	Difference	Prev close	Current Spot
3 months	↓	4.46	-0.280	4.74	4.46
6 months	↓	4.78	-0.090	4.87	4.78
9 months	↓	4.88	-0.032	4.92	4.88
12 months	↓	4.96	-0.060	5.02	4.96
<b>Nominal Bonds</b>		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↑	4.20	0.050	4.15	4.20
GC22 (BMK: R2023)	↓	6.02	-0.010	6.03	6.02
GC23 (BMK: R2023)	↓	6.11	-0.010	6.12	6.11
GC24 (BMK: R186)	↓	8.00	-0.020	8.02	7.99
GC25 (BMK: R186)	↓	8.00	-0.020	8.02	7.99
GC27 (BMK: R186)	↓	8.21	-0.020	8.23	8.20
GC30 (BMK: R2030)	↑	9.76	0.005	9.76	9.76
GC32 (BMK: R213)	↓	10.61	-0.035	10.64	10.61
GC35 (BMK: R209)	↓	12.24	-0.035	12.28	12.24
GC37 (BMK: R2037)	↓	12.29	-0.020	12.31	12.28
GC40 (BMK: R214)	↓	12.59	-0.045	12.63	12.58
GC43 (BMK: R2044)	↓	13.00	-0.050	13.05	13.01
GC45 (BMK: R2044)	↓	13.15	-0.050	13.20	13.16
GC50 (BMK: R2048)	↓	13.20	-0.050	13.25	13.23
<b>Inflation-Linked Bonds</b>		Last close	Difference	Prev close	Current Spot
GI22 (BMK: NCPI)	⇒	4.40	0.000	4.40	4.49
GI25 (BMK: NCPI)	⇒	4.50	0.000	4.50	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>		Last close	Change	Prev close	Current Spot
Gold	↑	1,736	1.28%	1,714	1,730
Platinum	↓	833	-0.54%	837	828
Brent Crude	↑	41.7	1.34%	41.2	40.6
<b>Main Indices</b>		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,078	-1.70%	1,096	1,078
JSE All Share	↓	53,673	-1.49%	54,483	53,673
SP500	↓	3,190	-0.53%	3,207	3,190
FTSE 100	↓	6,329	-0.10%	6,336	6,329
Hangseng	↓	25,050	-0.03%	25,057	24,791
DAX	↓	12,530	-0.70%	12,618	12,530
<b>JSE Sectors</b>		Last close	Change	Prev close	Current Spot
Financials	↓	10,896	-3.03%	11,236	10,896
Resources	↓	49,093	-2.83%	50,524	49,093
Industrials	↓	73,370	-0.01%	73,375	73,370
<b>Forex</b>		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	16.52	-0.67%	16.63	16.52
N\$/Pound	↓	21.05	-0.53%	21.17	20.95
N\$/Euro	↓	18.78	-0.39%	18.86	18.75
US dollar/ Euro	↑	1.137	0.26%	1.134	1.135
		Namibia		RSA	
<b>Economic data</b>		Latest	Previous	Latest	Previous
Inflation	↓	1.6	2.4	4.1	4.6
Prime Rate	↓	8.00	9.00	7.75	8.75
Central Bank Rate	↓	4.25	5.25	4.25	5.25

**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



---

**For enquiries concerning the Daily Brief please contact us at**

**[Daily.Brief@capricorn.com.na](mailto:Daily.Brief@capricorn.com.na)**

***Disclaimer***

*The information contained in this note is the property of Capricorn Asset Management (CAM). The information contained herein has been obtained from sources which and persons whom the writer believe to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute the writer’s judgement as of the date of this material and are subject to change without notice. This note is provided for informational purposes only and may not be reproduced in any way without the explicit permission of CAM.*

A member of  **Capricorn Group**

---