



Market Update

Thursday, 12 March 2020

Global Markets

Global shares crumbled on Thursday after U.S. President Donald Trump stunned investors by announcing a temporary travel ban from Europe to curb the spread of the coronavirus, threatening more disruptions to businesses and the world economy. US S&P500 futures dived 4.7%, a day after the S&P 500 lost 4.89%, putting the index firmly in a bear market territory, defined as a 20% fall from a recent top. Euro Stoxx 50 futures sank 5.8% to their lowest levels since mid-2016.

"The travel ban from Europe has definitely taken everyone by surprise," said Khoon Goh, head of Asia Research at ANZ in Singapore. "Already we know the economic impact is significant, and with this additional measure on top it's just going to multiply the impact across businesses. This is something that markets had not factored in...it's a huge near-term economic cost."

MSCI's broadest index of Asia-Pacific shares outside Japan lost 4.1% to its lowest level since early 2019, while Japan's Nikkei dropped 5.3%. Australia's benchmark dived 7.4% while South Korea's Kospi fell 4.6% to a 4-1/2-year low. Trump announced on Wednesday the United States will suspend all travel from Europe, except from the United Kingdom, to the United States for 30 days starting on Friday. However, Trump said trade will not be affected by the restrictions. He also announced some other steps, including instructing the Treasury Department to defer tax payments for entities hit by the virus.

"For those who had been hoping for measures to offset likely fall in consumption, it was a disappointment," said Hirokazu Kabeya, chief global strategist at Daiwa Securities. "There was no talk of payroll tax cuts." Investors worry whether the stimulus steps can quickly turn around the global economy as concerns grew that the number of infections could quickly snowball in many countries. "In many European countries, the number of patients are increasing in a track similar to Italy. The U.S. appears to be following that path. It now looks realistic to expect, within 10 days, those countries could have more than ten thousand patients."

Safe-haven assets were back in favour, though many of them were still below recent peaks, which some market players suspect reflects a desperate bout of profit-taking to make up for losses suffered elsewhere. Gold edged up 0.5% to \$1,642.5 per ounce but still stood well below Monday's high above \$1,700. The 10-year U.S. Treasuries yield fell 8.7 basis points to 0.737%, though it is still more than 40 basis points above a record low of 0.318% touched on Monday. Some analysts say the

rise could reflect worries about an increase in government spending for stimulus. The two-year yield fell 4 basis points to 0.458% but stood well above Monday's low of 0.251%.

Fed fund rate futures, however, are still pricing in a rate cut of at least 0.75 percentage points and about a 50% chance of a 1.0 percentage point cut at a policy review on March 17-18. "The initial reaction in financial markets shows that even after Trump spoke investors feel they need to avoid risk" said Junichi Ishikawa, senior currency strategist at IG Securities in Tokyo. "Trump has outlined what he considered to be tough measures, but movements in stocks, stock futures, and currencies show that this is not enough to ease investors' concerns. We are in a very difficult situation now."

Oil prices extended losses as they were also hit by renewed weakness in the stock market and as Saudi Arabia and the United Arab Emirates announced plans to escalate the burgeoning price war. U.S. West Texas Intermediate (WTI) crude last traded up slightly at \$32.14 per barrel, down 2.5%.

In the currency market, the dollar slid against the safe-haven yen and the Swiss franc. The U.S. currency fell 1.1% to 103.35 yen and lost 0.6% to 0.9333 franc. The euro traded at \$1.1321, up 0.5% ahead of the European Central Bank's policy meeting later in the day. The ECB is all but certain to unveil new stimulus measures, including new, ultra-cheap loans for banks to pass onto small and medium-sized firms. Markets have priced in a 10 basis point cut to its already record low minus 0.50% policy rate though many policymakers have said further cuts could be counterproductive because they hurt bank margins to the point of thwarting lending.

Source: Thomson Reuters

Domestic Markets

South Africa's rand weakened on Wednesday as another bout of risk aversion dragged emerging market currencies lower, with investors fretting over the impact of the coronavirus and opting for safe-haven assets.

Stocks fell, as a drop in oil prices hit chemical and energy firm Sasol. At 1510 GMT, the rand was 1.03% weaker at 16.1100 per dollar against an overnight close of 15.9460 in New York, once again crossing the key technical threshold of 16.00 that traders have used to gauge likely direction of the rand's moves.

Since Monday's sharp fall to just shy of 17.00, the rand has managed to claw back some ground, but ongoing uncertainty about the effectiveness of measures taken by central banks globally to limit the coronavirus has kept volatility elevated.

News that state power firm Eskom would cut up to 4,000 megawatts of electricity from the national grid, partly due to faults at its Koeberg nuclear plant, has also rekindled bearish bets on the local unit.

"Although a degree of calm has returned to the world's financial markets, there are various factors that could change this instantly," Nedbank's Reezwana Sumad said in a note. "Locally, the rand remains exceptionally vulnerable. Any strength has been limited and moves to the topside have been more extreme, exacerbated by the persistent woeful performance of the electricity utility."

In equities, the Top-40 index was down 0.82% to 43,891 points while the broader all-share fell 0.79% to 49,074. Sasol was the biggest decliner, sitting at the bottom of both indexes, down 26.44% to 52.72 rand. Oil prices fell on Wednesday after Saudi Arabia and the United Arab Emirates announced plans to boost production capacity and OPEC and the U.S. Energy Information Administration cut oil demand forecasts because of the coronavirus. Shares in Africa's largest

mobile network by subscribers, MTN, fell 1.72% after it said Chief Executive Officer Rob Shuter would step down at the end of a four-year term in March 2021.

In fixed income, the yield on the benchmark 2030 government issue was up 6 basis points to 9.26%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Thursday, 12 March 2020			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	↓	6.99	-0.280	7.27	6.99
6 months	↓	7.32	-0.124	7.45	7.32
9 months	↓	7.38	-0.082	7.47	7.38
12 months	↓	7.40	-0.102	7.51	7.40
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	→	7.04	0.000	7.04	7.00
GC21 (BMK: R2023)	↓	7.22	-0.015	7.24	7.23
GC22 (BMK: R2023)	↑	7.29	0.030	7.26	7.27
GC23 (BMK: R2023)	↑	8.04	0.030	8.01	8.02
GC24 (BMK: R186)	↑	8.64	0.050	8.59	8.77
GC25 (BMK: R186)	↑	8.62	0.050	8.57	8.75
GC27 (BMK: R186)	↑	9.19	0.050	9.14	9.32
GC30 (BMK: R2030)	↑	10.26	0.080	10.18	10.41
GC32 (BMK: R213)	↑	10.87	0.060	10.81	11.03
GC35 (BMK: R209)	↑	11.58	0.080	11.50	11.71
GC37 (BMK: R2037)	↑	11.59	0.050	11.54	11.75
GC40 (BMK: R214)	↑	11.85	0.050	11.80	11.98
GC43 (BMK: R2044)	↑	12.17	0.045	12.13	12.29
GC45 (BMK: R2044)	↑	12.41	0.045	12.37	12.53
GC50 (BMK: R2048)	↑	12.42	0.065	12.36	12.58
Inflation-Linked Bonds		Last close	Difference	Prev close	Current Spot
GI22 (BMK: NCPI)	→	4.40	0.000	4.40	4.40
GI25 (BMK: NCPI)	→	4.60	0.000	4.60	4.60
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	↓	1,635	-0.88%	1,649	1,636
Platinum	↓	860	-1.02%	869	858
Brent Crude	↓	35.8	-3.84%	37.2	34.3
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,076	-1.33%	1,090	1,076
JSE All Share	↓	49,074	-0.79%	49,466	49,074
SP500	↓	2,741	-4.89%	2,882	2,741
FTSE 100	↓	5,877	-1.40%	5,960	5,877
Hangseng	↓	25,232	-0.63%	25,393	24,301
DAX	↓	10,439	-0.35%	10,475	10,439
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	12,975	-0.20%	13,001	12,975
Resources	↓	36,982	-1.92%	37,707	36,982
Industrials	↓	66,700	-0.36%	66,943	66,700
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	16.18	1.60%	15.93	16.40
N\$/Pound	↑	20.75	0.92%	20.56	21.00
N\$/Euro	↑	18.23	1.49%	17.97	18.51
US dollar/ Euro	↓	1.127	-0.11%	1.128	1.129
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↓	2.1	2.6	4.0	3.6
Prime Rate	↓	10.25	10.50	9.75	10.00
Central Bank Rate	↓	6.25	6.50	6.25	6.50

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

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Source: Bloomberg



For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na

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