



Market Update

Wednesday, 14 October 2020



Global Markets

Asian equities slipped on Wednesday as halted COVID-19 vaccine trials and an impasse in U.S. fiscal aid package talks soured risk appetite, while the greenback held on to gains as demand firmed for safe-harbour assets.

Johnson & Johnson on Tuesday said it was pausing a COVID-19 vaccine trial due to a study participant's unexplained illness. Eli Lilly and Co later said it too had paused the clinical trial of its COVID-19 antibody treatment due to a safety concern, leading the U.S. equity market to deepen losses. J&J shares lost 2.3%, while Eli Lilly closed down nearly 3%. "That just spoke to the fact that a vaccine could take longer to be delivered than what the market's expectations are calibrated towards," said CommSec market analyst Tom Piotrowski in Sydney.

MSCI's broadest index of Asia-Pacific shares outside of Japan fell 0.2%. Japan's Nikkei dipped 0.2% while Australia's benchmark index was off a touch and South Korea stumbled 0.7%. Chinese shares opened red too with the blue-chip CSI300 down 0.3%. Overnight on Wall Street, the Dow Jones Industrial Average fell 0.5%, the S&P 500 lost 0.63% and the Nasdaq Composite eased 0.1%.

Also weighing on sentiment, hopes for the passage of a new coronavirus relief package faded as U.S. House Speaker Nancy Pelosi rejected a \$1.8 trillion relief proposal from the White House. "U.S. stimulus talks are still going nowhere dimming the prospect of a new round of support this side of the election," said Sydney-based NAB strategist Rodrigo Catril. "So, for now it is hard to see a deal being agreed before Nov. 3, the market is still travelling with the notion that a new round of stimulus is coming, but at this stage this looks more likely after the election."

E-mini futures for the S&P 500 were up slightly in early Asian trading. In currencies, the U.S. dollar boasted its best daily performance in three weeks on Tuesday with its index against a basket of six major currencies rising 0.5%. The index was last flat at 93.533. The euro was barely changed at \$1.1742. The Australian dollar has been slugged by news that China has stopped taking shipments of Australian coal, dragging the Aussie to one-week lows. It was last trading at \$0.7163. The Japanese yen gained versus the greenback to 105.32 per dollar, while sterling was last trading at \$1.2932.

Bank of England Governor Andrew Bailey on Tuesday said he did not think the economy was undergoing a V-shaped recovery, because of headwind from a second wave of COVID-19 and underlying public caution about spending and socialising after the pandemic. Investors are also watching tension between the European Union and Britain after the EU demanded "substantive" movement on Tuesday on fisheries, dispute settlement and guarantees of fair competition in their talks on a post-Brexit trade deal. EU leaders will hold a summit in Brussels on Thursday and Friday to assess progress.

In commodities, the spot gold price was off 0.2% \$1,887.33 an ounce. Oil slipped too, with Brent and U.S. crude off 8 cents each at \$42.37 and \$40.1 a barrel respectively. U.S. West Texas Intermediate climbed by the same amount to reach \$39.41.

Domestic Markets

South Africa's rand traded flat on Tuesday, lacking any drivers of momentum in either direction as investors tread cautiously with an eye on local events and upcoming elections in the United States.

At 1500 GMT, the rand traded at 16.5325 per dollar, not far off its overnight close of 16.5250, reflecting subdued activity in other emerging markets that has seen the local unit eke out modest gains over the past few sessions.

Traders are, however, split on how long the calm will hold, with rising COVID-19 infections in Europe, President Cyril Ramaphosa's unveiling of an economic recovery plan on Thursday, and U.S. elections in November.

"The rand remains range-bound and yet still destined for a bigger move lower I believe, but at the moment it is not worth venturing into from a speculative situation," said Standard Bank's chief trader Warrick Butler in a note.

But Lukman Otunuga, a senior analyst at FXTM, sees the rand "poised to turn volatile and highly sensitive against the dollar," as Ramaphosa's plan looms.

Bonds inched firmer, with the yield on the benchmark government issue due in 2030 down 2 basis points to 9.415%.

In the equities market, stocks fell alongside emerging market peers on a worsening emerging market growth outlook from the International Monetary Fund and news that Johnson & Johnson paused its novel coronavirus vaccine trials after one of the participants contracted an unexplained illness.

The Johannesburg All-Share index fell 0.9% to 55,054 points, while the Top 40 index ended the session 0.85% weaker at 50,722 points. The travel and leisure and healthcare sectors suffered, losing 3% and 3.84% respectively. Commodity stocks also weakened, down 1.3%, after total mining output continued to fall, 3.3% year-on-year in August but at a slower pace compared to a revised contraction of 6.5% in July.

"Our forecast is for mining to remain weak for the remainder of the year, but to be at vastly better levels than at the height of the lockdown," economists at Nedbank said in a note.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		14-Oct-2020		7:32
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	38,093,144	63,509	1,084,676	26,725,266

If you look for truth, you may find comfort in the end; if you look for comfort you will not get either comfort or truth only soft soap and wishful thinking to begin, and in the end, despair.

C. S. Lewis

Market Overview

MARKET INDICATORS (Thomson Reuters)		14 October 2020			
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	→	3.88	0.000	3.88	3.88
6 months	→	3.95	0.000	3.95	3.95
9 months	→	3.98	0.000	3.98	3.98
12 months	→	3.95	0.000	3.95	3.95
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	↑	4.19	0.100	4.09	4.19
GC22 (Coupon 8.75%, BMK R2023)	↓	5.16	-0.030	5.19	5.15
GC23 (Coupon 8.85%, BMK R2023)	↓	5.06	-0.030	5.09	5.05
GC24 (Coupon 10.50%, BMK R186)	↓	7.47	-0.010	7.48	7.46
GC25 (Coupon 8.50%, BMK R186)	↓	7.48	-0.010	7.49	7.47
GC26 (Coupon 8.50%, BMK R186)	↓	7.48	-0.010	7.49	7.47
GC27 (Coupon 8.00%, BMK R186)	↓	7.77	-0.010	7.78	7.76
GC30 (Coupon 8.00%, BMK R2030)	↓	9.72	-0.020	9.74	9.71
GC32 (Coupon 9.00%, BMK R213)	↓	10.86	-0.015	10.87	10.85
GC35 (Coupon 9.50%, BMK R209)	↓	11.98	-0.005	11.99	11.97
GC37 (Coupon 9.50%, BMK R2037)	↓	12.67	-0.005	12.68	12.66
GC40 (Coupon 9.80%, BMK R214)	↓	13.23	-0.020	13.25	13.22
GC43 (Coupon 10.00%, BMK R2044)	↓	13.78	-0.015	13.80	13.77
GC45 (Coupon 9.85%, BMK R2044)	↓	14.06	-0.015	14.08	14.05
GC50 (Coupon 10.25%, BMK: R2048)	↑	14.12	0.010	14.11	14.11
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	→	4.49	0.000	4.49	4.49
GI25 (Coupon 3.80%, BMK NCPI)	→	4.49	0.000	4.49	4.49
GI29 (Coupon 4.50%, BMK NCPI)	→	5.91	0.000	5.91	5.91
GI33 (Coupon 4.50%, BMK NCPI)	→	6.82	0.000	6.82	6.82
GI36 (Coupon 4.80%, BMK NCPI)	→	7.09	0.000	7.09	7.09
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,891	-1.62%	1,922	1,895
Platinum	↓	865	-0.94%	873	873
Brent Crude	↑	42.5	1.75%	41.7	42.3
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,071	-1.51%	1,088	1,071
JSE All Share	↓	55,055	-0.90%	55,552	55,055
SP500	↓	3,512	-0.63%	3,534	3,512
FTSE 100	↓	5,970	-0.53%	6,001	5,970
Hangseng	→	24,650	0.00%	24,650	24,613
DAX	↓	13,019	-0.91%	13,138	13,019
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	9,775	-2.73%	10,049	9,775
Resources	↓	54,051	-1.42%	54,827	54,051
Industrials	↑	75,319	0.05%	75,279	75,319
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	16.47	-0.19%	16.50	16.47
N\$/Pound	↓	21.30	-1.17%	21.55	21.27
N\$/Euro	↓	19.34	-0.77%	19.49	19.34
US dollar/ Euro	↓	1.174	-0.58%	1.181	1.175
		Namibia		RSA	
Interest Rates & Inflation		Latest	Previous	Latest	Previous
Central Bank Rate	↓	3.75	4.00	3.50	3.75
Prime Rate	↓	7.50	7.75	7.00	7.25
		Aug 20	Jul 20	Aug 20	Jul 20
Inflation	↑	2.4	2.1	3.1	3.2

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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