



Market Update

Tuesday, 16 June 2020

Global Markets

Asian shares and Wall Street futures rallied on Tuesday as the formal start of the Federal Reserve's corporate bond buying programme boosted global investor sentiment and calmed earlier worries about a second wave of coronavirus infections.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 2.2%, its biggest one-day gain since June 1. Australian stocks rose 3.0%, while shares in China rose 1.2%. U.S. stock futures, the S&P 500 e-minis, were up 0.98% following a late rally on Wall Street on Monday. Treasury yields rose and the yield curve steepened. The Fed said it will start purchasing corporate bonds on Tuesday in the secondary market, one of several emergency facilities launched in the wake of the coronavirus pandemic.

Global equities had fallen sharply from late last week due to worries about the U.S. economy and confirmation of a new coronavirus cluster in Beijing. However, the Fed's corporate bond purchases and data showing new infections in Beijing are under control helped equities quickly reverse course and head higher.

"Equities were overbought and corrected lower, but the S&P 500 has bounced off support because of the Fed," said Shane Oliver, head of investment strategy and chief economist at AMP Capital Investors in Sydney. "The markets will continue to go higher as long as economies continue to reopen and as long as the number of coronavirus cases is not large enough to stop the reopening."

Sentiment in Asia got a further boost after health officials said there were 27 new coronavirus cases in Beijing, down from 36 new cases the previous day. Japan's Nikkei stock index and shares in South Korea were both on course for their biggest daily gain in two months.

The Australian dollar rose 0.31% to \$0.6942. The Aussie is often traded as a liquid proxy for risk because of its close ties to China's economy and global commodities. The yen was little changed at 107.32 per dollar before a Bank of Japan meeting ending later on Tuesday. No major policy moves are expected, but some investors will focus on any comments about the global debate on capping government bond yields.

The Fed on Monday also announced eagerly-awaited details of its programme to lend funds directly to companies. Benchmark 10-year Treasury yields notes edged up to 0.7363%, while the spread between two-year and 10-year yields widened to 54 basis points in a sign of improving risk appetite.

Crude oil futures erased gains and fell amid persistent doubts over whether supply cuts would be enough to reduce an oil glut. U.S. crude fell 1.2% to \$36.68 a barrel. Brent crude declined by 1.2% to \$39.23 per barrel.

Source: Thomson Reuters

Domestic Markets

The South African rand tumbled on Monday as investors fled to safe-haven assets on fears of a second wave of global coronavirus infections.

At 1530 GMT, the rand was 1.2% weaker at 17.2600 per dollar, not far off the one-and-a-half week low of 17.34525 it touched earlier in the session.

China's capital Beijing has recorded dozens of new cases of the novel coronavirus in recent days, all linked to a major wholesale food market, sparking fears that a resurgence could hamper a global economic recovery.

"Markets had been looking forward to a notable pick up in global demand in H2 2020, and market players had been seeking to get in early to position themselves for the return of robust economic activity after the 'temporary' COVID-19 halt to growth," said Annabel Bishop of Investec. "Any dimming of this outlook weakens market sentiment and so the rand."

South African government bonds also suffered, with the yield on the bond due in 2030 adding 15 basis points to 9.380%.

Fears of a second virus wave also rattled stocks, with the Johannesburg All-Share index falling 2.55% to 52,270 points, and the Top 40 companies index declining 2.7% to 47,919 points. "This uncertainty is certainly bad news for emerging markets, especially if widespread risk aversion encourages market players to offload riskier assets in favour of safe-havens," Lukman Otunuga, senior research analyst at FXTM, said in a note.

Among the decliners were gold producers as bullion prices fell more than 1%, with the dollar hovering near a more than one-week high. Sibanye-Stillwater ended 6.49% weaker, while Harmony Gold fell 4.62%.

Insurer Discovery declined 2.83% after it warned its full-year profits could fall by up to 90%, hit by a 3.3 billion rand (\$191 million) provision to cover the potential impact on claims and policy lapses due to the coronavirus.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS	16-Jun-2020			7:16
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	8,039,306	117,334	435,769	3,654,884



Market Overview

MARKET INDICATORS (Thomson Reuters)					16 June 2020
Money Market TB's		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	↓	4.89	-0.031	4.92	4.89
12 months	↓	4.98	-0.052	5.03	4.98
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↑	4.18	0.010	4.17	4.15
GC22 (BMK: R2023)	↑	6.10	0.040	6.06	6.10
GC23 (BMK: R2023)	↑	6.08	0.040	6.04	6.08
GC24 (BMK: R186)	↑	8.26	0.150	8.11	8.26
GC25 (BMK: R186)	↑	8.31	0.150	8.16	8.31
GC27 (BMK: R186)	↑	8.39	0.150	8.24	8.39
GC30 (BMK: R2030)	↑	9.99	0.150	9.84	9.99
GC32 (BMK: R213)	↑	10.70	0.140	10.56	10.70
GC35 (BMK: R209)	↑	11.90	0.120	11.78	11.90
GC37 (BMK: R2037)	↑	12.37	0.115	12.25	12.37
GC40 (BMK: R214)	↑	12.80	0.115	12.68	12.80
GC43 (BMK: R2044)	↑	13.22	0.110	13.11	13.22
GC45 (BMK: R2044)	↑	13.39	0.110	13.28	13.39
GC50 (BMK: R2048)	↑	13.43	0.120	13.31	13.43
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)	⇒	6.70	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	↓	1,725	-0.30%	1,730	1,724
Platinum	↑	812	0.74%	806	818
Brent Crude	↑	39.7	2.56%	38.7	39.7
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,048	-2.38%	1,073	1,048
JSE All Share	↓	52,270	-2.55%	53,640	52,270
SP500	↑	3,067	0.83%	3,041	3,067
FTSE 100	↓	6,065	-0.66%	6,105	6,065
Hangseng	↓	23,777	-2.16%	24,301	24,471
DAX	↓	11,911	-0.32%	11,949	11,911
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	10,470	-2.83%	10,775	10,470
Resources	↓	47,848	-3.12%	49,390	47,848
Industrials	↓	71,619	-2.35%	73,340	71,619
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	17.09	0.37%	17.02	17.03
N\$/Pound	↑	21.53	0.87%	21.35	21.55
N\$/Euro	↑	19.35	0.98%	19.16	19.30
US dollar/ Euro	↑	1.132	0.60%	1.125	1.133
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↑	2.1	1.6	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



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