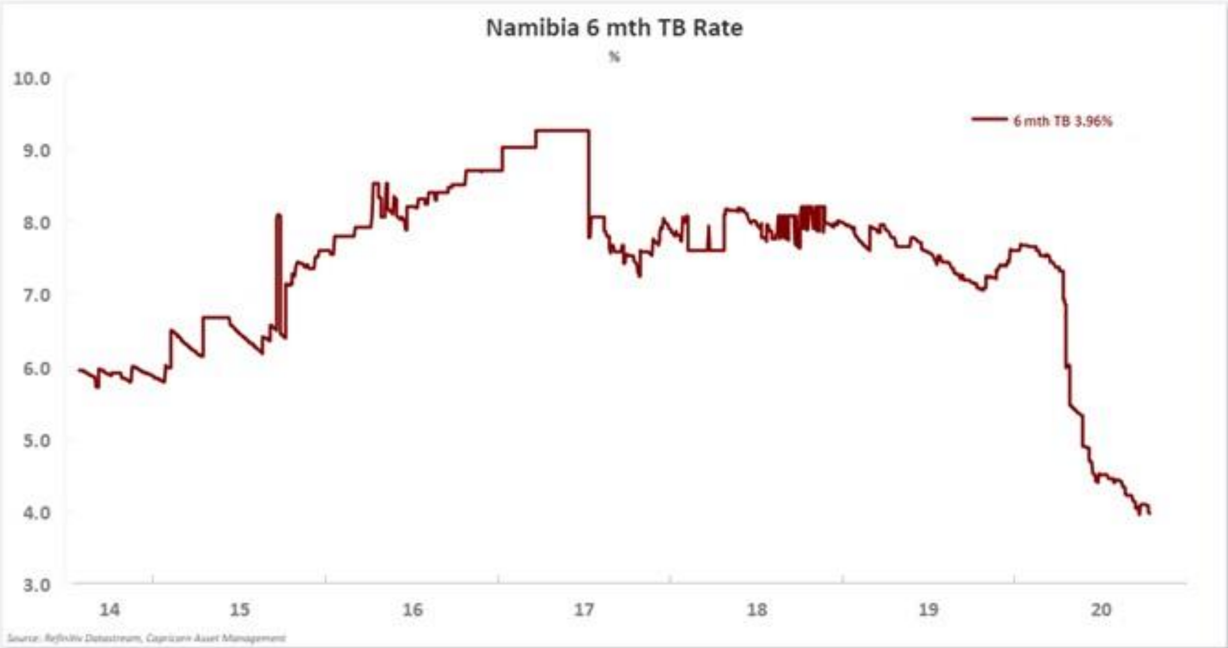
Market Update Friday, 16 October 2020



Global Markets

Asian stocks edged higher on Friday, buoyed by gains in China, but the mood was cautious due to a resurgence of coronavirus infections in Europe and the United States.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.27%. U.S. stock futures also gained 0.32%. Shares in China rose 0.39% as investors snapped up banking shares due to an improving earnings outlook. Australian stocks erased early losses to trade flat. Japanese stocks edged 0.05% higher, but South Korean shares lost 0.32%.

Oil futures extended declines in Asian trade as another round of lockdowns to contain the spread of the coronavirus threatens to further weaken global energy demand. U.S. President Donald Trump's offer on Thursday to raise the size of a fiscal stimulus package to win the support of Republicans and Democrats helped narrow Wall Street losses, though many investors still believe a deal is unlikely before the Nov. 3 election.

"There's a bit of worry there and also at what we're seeing in America and in Europe regarding the virus and how it seems to be taking hold pretty significantly again," said Grant Williamson, investment adviser at Hamilton Hindin Greene in Christchurch, New Zealand.

On Wall Street, the Dow Jones Industrial Average slipped 0.07%, the S&P 500 0.15% and the Nasdaq Composite dipped 0.47%. An unexpected rise in U.S. weekly jobless claims figures added to worries about a sputtering world economy, especially in the face of a spike in COVID-19 cases in Europe.

The dollar index stood at 93.78, close to a two-week high as signs of a stalling U.S. economy drove safe-harbour flows into the greenback. The one currency that the dollar fell against was the yen, which strengthened 0.15% to 105.31 per dollar given the Japanese currency is also seen as a haven. The euro was down 0.01% to $1.1709, while a firmer U.S. dollar dragged on sterling, which was last trading at $1.2900, down 0.12% on the day. Spot gold was little changed at $1,908.40 an ounce.

The coronavirus outbreak originated in China last year, but Beijing's aggressive efforts to control the virus mean its economy is recovering faster than other major countries, which suggests an improvement in corporate earnings. Hong Kong shares in Semiconductor International Manufacturing Corp (SMIC) rose 2.53% on Friday after China's top chipmaker raised revenue and gross margin forecasts for the third quarter.

In contrast, many European countries have resumed lockdowns, and London will enter a tighter COVID-19 lockdown from midnight on Friday as Prime Minister Boris Johnson seeks to tackle a swiftly accelerating second coronavirus wave. The European Union put the onus on Britain to compromise on their new economic partnership or stand ready for trade disruptions in less than 80 days, another negative for sterling.

The Australian dollar fell 0.2% versus the greenback at $0.7094, hurt by a decline in commodities. Oil prices were weighed by concerns about the coronavirus and its impact on the world economy. Brent crude futures fell 0.6% to $42.90 a barrel, while U.S. crude futures slipped by 0.44% to $40.77 a barrel. Traders' preference for safety helped government bonds. The yield on U.S. Treasuries Benchmark 10-year notes held steady at 0.7339%, while the two-year yield edged lower to 0.1390%.

Domestic Markets

The South African rand weakened on Thursday, as market participants digested an economic recovery plan focusing on infrastructure investment and job creation unveiled by President Cyril Ramaphosa.

At 1545 GMT the rand was trading at 16.6625 versus the U.S. dollar, 0.73% weaker than its previous close.

Ramaphosa said South Africa will embark on a massive public works and job-creation drive in response to the coronavirus crisis to return Africa's most industrialised economy to growth.

"The lack of information on where the funding will come from means that we will have to wait for the MTBPS (medium term budget policy statement) to see how committed broader government is to Mr Ramaphosa's vision," Jacques Nel, an analyst at NKC African Economics said in a note.

Demand for the rand in recent months has been partly supported by the still high yield on offer on local assets despite the central bank cutting lending rates to a record low. But analysts have warned that these "hot money" flows would dry up without implementation of a credible plan for economic growth.

On the bourse, stocks fell along with global markets, with the benchmark Top-40 index down 1.05% to 50,504 points and the All-Share index closing 0.98% lower at 54,854 points. Gold shares shed 1.74% after the bullion price weakened as hopes faded for a U.S. fiscal stimulus package before the presidential election. AngloGold Ashanti closed down 2.49% at 452.30 rand and Harmony Gold dropped 1.68% to 96.85 rand. Among the fallers, bourse heavyweight Naspers weakened 1.53% to 3,094.75 rand after losses in Hong Kong technology giant Tencent, in which it has a stake.

Bonds firmed, with the yield on the benchmark government issue due in 2030 down 1.5 basis points to 9.415%.

CR's Plan

South Africa will embark on a massive public works and job-creation drive in response to the coronavirus crisis, President Cyril Ramaphosa said on Thursday, unveiling a plan to return Africa's most industrialised economy to growth.

Under pressure after data showed the largest-ever GDP contraction in the second quarter, Ramaphosa said his plan could unlock more than 1 trillion rand ($60 billion) in investment over the next four years and create more than 800,000 jobs. He said modelling by the National Treasury showed it could raise annual economic growth to an average of around 3% over the next decade.

"Despite these vital interventions, however, the damage caused by the pandemic to an already weak economy, to employment, to livelihoods, to public finances and to state owned companies has been colossal," Ramaphosa told a joint sitting of parliament.

South Africa was in recession before it recorded its first coronavirus infection in March, with one of the world's strictest lockdowns and a global drop in demand for its exports causing GDP to fall by more than 17% in annual terms in the April-June quarter, when over 2 million jobs were lost.

Ramaphosa's government has been in talks with business and labour leaders for months trying to plot a path to recovery. He said on Thursday that an infrastructure build programme would focus on schools, water and sanitation and housing, as well as ports, roads and railways.

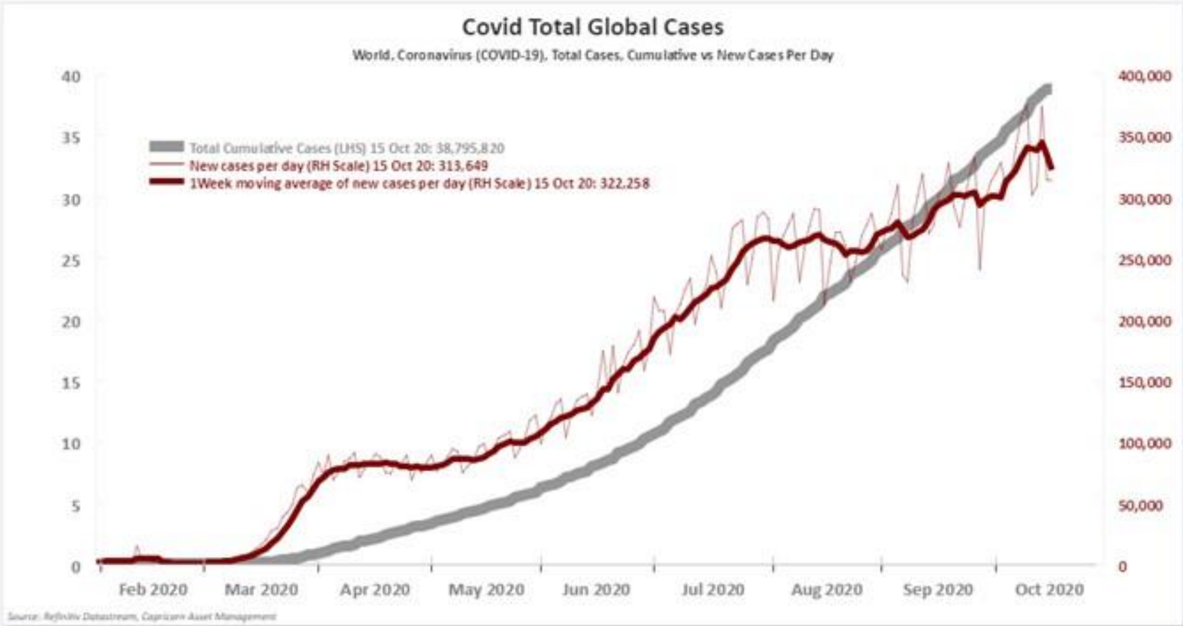
Other parts of the plan include expanding power generation capacity to ensure reliable supplies, local production targets in sectors like agro-processing, healthcare and industrial equipment, and pushing through reforms to ease regulatory bottlenecks, including for miners. 100 billion rand has been set aside over the next three years for job-creation initiatives, and a COVID-19 relief grant has been extended for a further three months, Ramaphosa added.

The president's speech comes two weeks before Finance Minister Tito Mboweni will lay out spending plans at a mid-term budget. Looking forward to Mboweni's speech, Ramaphosa said the country could not sustain current levels of public debt, as rising borrowing costs are diverting resources needed for economic and social development.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS			16-Oct-2020	5:03
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	38,795,820	313,649	1,094,947	27,100,002



Market Overview

MARKET INDICATORS (Thomson Reuters)				16 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	3.95	-0.017	3.97	3.95
12 months	3.90	-0.025	3.92	3.90
Nominal Bond Yields %	**Last close**	**Difference**	**Prev close**	**Current Spot**
GC21 (Coupon 7.75%, BMK R208)	4.05	0.000	4.05	4.05
GC22 (Coupon 8.75%, BMK R2023)	5.14	0.000	5.14	5.15
GC23 (Coupon 8.85%, BMK R2023)	5.04	0.000	5.04	5.05
GC24 (Coupon 10.50%, BMK R186)	7.45	-0.015	7.47	7.46
GC25 (Coupon 8.50%, BMK R186)	7.46	-0.015	7.48	7.47
GC26 (Coupon 8.50%, BMK R186)	7.46	-0.015	7.48	7.47
GC27 (Coupon 8.00%, BMK R186)	7.75	-0.015	7.77	7.76
GC30 (Coupon 8.00%, BMK R2030)	9.72	-0.015	9.73	9.73
GC32 (Coupon 9.00%, BMK R213)	10.86	0.005	10.86	10.87
GC35 (Coupon 9.50%, BMK R209)	11.96	-0.020	11.98	11.97
GC37 (Coupon 9.50%, BMK R2037)	12.69	0.010	12.68	12.70
GC40 (Coupon 9.80%, BMK R214)	13.27	0.020	13.25	13.28
GC43 (Coupon 10.00%, BMK R2044)	13.82	0.025	13.79	13.83
GC45 (Coupon 9.85%, BMK R2044)	14.10	0.025	14.07	14.11
GC50 (Coupon 10.25%, BMK: R2048)	14.15	0.020	14.13	14.16
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	1,908	0.36%	1,901	1,906
Platinum	864	0.80%	857	862
Brent Crude	43.2	-0.37%	43.3	42.7
Main Indices	**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	1,073	0.11%	1,072	1,073
JSE All Share	54,844	-0.99%	55,394	54,844
SP500	3,483	-0.15%	3,489	3,483
FTSE 100	5,833	-1.73%	5,935	5,833
Hangseng	24,159	-2.06%	24,667	24,348
DAX	12,704	-2.49%	13,028	12,704
JSE Sectors	**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	9,822	0.91%	9,733	9,822
Resources	54,041	-1.35%	54,782	54,041
Industrials	74,473	-1.38%	75,515	74,473
Forex	**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	16.62	0.55%	16.53	16.64
N$/Pound	21.46	-0.20%	21.51	21.45
N$/Euro	19.46	0.21%	19.42	19.47
US dollar/ Euro	1.171	-0.34%	1.175	1.170
	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
	Sep 20	**Aug 20**	**Aug 20**	**Jul 20**
Inflation	2.4	2.4	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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