



Market Update

Wednesday, 17 June 2020

Global Markets

Asian share markets took a cautious turn on Wednesday as a resurgence of global coronavirus cases challenged market confidence in a rapid economic recovery, even as the rebound in U.S. retail sales in May broke all records.

New infections have hit record highs in six U.S. states and Beijing cut flights and closed schools to contain a fresh outbreak in the Chinese capital. "A serious second wave of cases in major developed countries is the biggest risk facing equity markets," said Shane Oliver head of investment strategy at fund manager AMP Capital. "However, provided any second wave is relatively mild in terms of pressure on health systems and the number of deaths, its unlikely to reap the havoc seen back in March."

Geopolitics also lurked as a worry with India reporting 20 of its soldiers had been killed in clashes with Chinese troops at a disputed border site. North Korea rejected a South Korea offer to send special envoys and vowed to send back troops to the border.

It was enough to inject a note of caution into trading and Japan's Nikkei eased 0.5%, after jumping almost 5% on Tuesday for its biggest daily gain in three months. MSCI's broadest index of Asia-Pacific shares outside Japan went flat, having climbed 2.8% the previous day, with most markets across the region little changed. Chinese blue chips slipped 0.4% and E-Mini futures for the S&P 500 0.2%. EUROSTOXX 50 futures and FTSE futures both dithered either side of flat.

That followed a robust session on Wall Street overnight. The Dow ended Tuesday up 2.04%, while the S&P 500 gained 1.90% and the Nasdaq 1.75%. Hopes for recovery had been bolstered by data showing U.S. retail sales jumped by a record 17.7% in May, recovering more than half the losses of the previous two months, though industrial output still lagged. The Trump administration was also reportedly preparing an up to \$1 trillion infrastructure package, something that was initially promised more than three years ago.

"There is little doubt that the global economy bottomed in April and is poised to post record-high growth rates over May and June, strongly lifting 3Q GDP above its 2Q trough," wrote economists at JPMorgan. "But questions about the extent of lasting damage will have to wait for a number of months before being resolved."

Federal Reserve Chair Jerome Powell cautioned that output and employment would remain well short of their pre-pandemic levels for a long time, so there was a "reasonable probability" that more policy support would be needed. All the talk of recovery caused headwinds for sovereign bonds, though U.S. Treasuries did recoup some of the losses in Asia. Thirty-year yields were last down two basis points at 1.52%, having risen by the most in a month on Tuesday.

The U.S. dollar bounced modestly from recent three-month lows to stand at 96.978 against a basket of currencies. The euro stood at \$1.1268 from its recent top of \$1.1422, while the dollar was sidelined on the Japanese yen at 107.23. In commodity markets, gold was stuck at \$1,725 and well within the \$1,670/\$1,764 range of the past few weeks.

Oil prices were pulled back by an increase in U.S. crude inventories, having climbed 3% on Tuesday after the International Energy Agency (IEA) raised its oil demand forecast for 2020. Brent crude futures slipped 71 cents to \$40.25 a barrel, while U.S. crude lost 94 cents to \$37.44.

Source: Thomson Reuters

Domestic Markets

Tuesday was a public holiday in SA. South Africa's rand firmed against the dollar early on Wednesday, but traders said gains could be limited as concerns about a resurgence of global coronavirus cases and geopolitical tensions in Asia hurt risk appetite. At 0640 GMT, the rand traded at 17.1775 per dollar, 0.36% firmer than its previous close.

"The rand, along with its emerging-market peers, remains at the mercy of a global recovery," analysts at Nedbank said in a client note. "And with news from China of an escalation in the number of reported cases of coronavirus, scuppering this scenario, the local unit again failed to consolidate any move sub-17.00."

New infections have hit record highs in six U.S. states and Beijing cut flights and closed schools to contain a fresh outbreak in the Chinese capital.

"Markets remains on edge as they wait to see how China will deal with the latest outbreak of the virus, while geopolitical tensions rise," said Bianca Botes, executive director at Peregrine Treasury Solutions.

India's army said 20 of its soldiers had been killed in clashes with Chinese troops at a disputed border site in the western Himalayas - the first fatalities since a major border clash in 1967 between the nuclear-armed neighbours.

Meanwhile, North Korea on Tuesday blew up a joint liaison office set up in a border town in 2018 to foster better ties with South Korea, prompting Seoul to say it will no longer accept unreasonable behaviour by the North.

In fixed income, the yield on the long-dated government bond due in 2030 was down 4 basis points to 9.340% in early trade.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	8,210,376	26,310	443,402	3,904,748

Market Overview

MARKET INDICATORS (Thomson Reuters)				17 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	4.77
9 months	↓	4.89	-0.040	4.93	4.88
12 months	↓	4.98	-0.060	5.04	4.97
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	→	4.18	0.000	4.18	4.20
GC22 (BMK: R2023)	→	6.10	0.000	6.10	6.07
GC23 (BMK: R2023)	→	6.08	0.000	6.08	6.05
GC24 (BMK: R186)	→	8.26	0.000	8.26	8.23
GC25 (BMK: R186)	→	8.31	0.000	8.31	8.28
GC27 (BMK: R186)	→	8.39	0.000	8.39	8.36
GC30 (BMK: R2030)	→	9.99	0.000	9.99	9.96
GC32 (BMK: R213)	→	10.70	0.000	10.70	10.67
GC35 (BMK: R209)	→	11.90	0.000	11.90	11.87
GC37 (BMK: R2037)	→	12.37	0.000	12.37	12.33
GC40 (BMK: R214)	→	12.80	0.000	12.80	12.76
GC43 (BMK: R2044)	→	13.22	0.000	13.22	13.18
GC45 (BMK: R2044)	→	13.39	0.000	13.39	13.35
GC50 (BMK: R2048)	→	13.43	0.000	13.43	13.40
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	↑	1,727	0.14%	1,725	1,721
Platinum	↑	820	1.08%	812	814
Brent Crude	↑	41.0	3.12%	39.7	41.4
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	→	1,048	0.00%	1,048	1,048
JSE All Share	→	52,270	0.00%	52,270	53,737
SP500	↑	3,125	1.90%	3,067	3,125
FTSE 100	↑	6,243	2.94%	6,065	6,290
Hangseng	↑	24,344	2.39%	23,777	24,481
DAX	↑	12,316	3.39%	11,911	12,394
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	→	10,470	0.00%	10,470	10,820
Resources	→	47,848	0.00%	47,848	48,892
Industrials	→	71,619	0.00%	71,619	73,955
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	16.98	-0.65%	17.09	17.15
N\$/Pound	↓	21.35	-0.88%	21.53	21.54
N\$/Euro	↓	19.12	-1.18%	19.35	19.30
US dollar/ Euro	↓	1.126	-0.52%	1.132	1.126
		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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