



Market Update

Thursday, 17 September 2020



Namibian Bonds

The demand for Namibian Government bonds remains very strong. In the most recent tender, lenders bid N\$1.4bn for the N\$245m on offer, resulting in the so-called bid/offer ratio of nearly six times. The returns that one gets from lending to Government held reasonably steady – around 5% in the short end and around 13.5% at the long end.

Bond tender 16 Sep 20	GC23	GC26	GC32	GC37	GC43	Total
Offered N\$	50,000,000	60,000,000	50,000,000	40,000,000	45,000,000	245,000,000
Bids N\$	304,410,000	434,100,000	245,020,000	200,910,000	252,940,000	1,437,380,000
Bid/offer	6.1	7.2	4.9	5.0	5.6	5.9
Allocated N\$	50,000,000	60,000,000	50,000,000	40,000,000	45,000,000	245,000,000
Maturity	15 October 2023	15 April 2026	15 April 2032	15 July 2037	15 July 2043	n/a
Yield %	5.0	7.4	10.4	12.1	13.4	n/a

Bank of Japan

The Bank of Japan kept monetary policy steady on Thursday and slightly upgraded its view on the economy, suggesting that no immediate expansion of stimulus was needed to combat the

coronavirus pandemic. As widely expected, the BOJ maintained its -0.1% short-term interest rate target and a pledge to cap 10-year government bond yields around zero.

USA Federal Reserve

The Federal Reserve on Wednesday vowed to keep interest rates near zero until inflation is on track to overshoot the U.S. central bank's 2% target, a bold new promise aimed at bringing millions of out-of-work Americans back to the labour market. But the new guidance also marked the start of a vigorous monetary policy debate as the Fed shifts from a crisis-era focus on keeping markets afloat during the coronavirus pandemic to managing what it now sees as a steady, multi-year recovery.

Global Markets

Stocks fell and the dollar advanced on Thursday after the Federal Reserve pledged to keep interest rates low for a long time but stopped short of offering further on stimulus to shore up a battered U.S. economy.

MSCI's broadest index of Asia-Pacific shares outside Japan lost 0.82%, running out of steam after five straight days of gains. Japan's Nikkei shed 0.45%. U.S. S&P 500 futures fell 0.87% in Asia on Thursday following a 0.46% drop in the S&P 500 on Wall Street. Tech shares fared worse, with the Nasdaq Composite dropping 1.25% on Wednesday. Nasdaq futures dropped 1.13% in Asia.

The Fed said it would keep interest rates near zero until inflation is on track to "moderately exceed" the central bank's 2% inflation target "for some time." New economic projections released with the policy statement showed most policymakers see interest rates on hold through to at least 2023, with inflation never breaching 2% over that period.

"Of course, sensible people wouldn't really hold anyone to macro forecasts that far out so we'll cross that bridge when we get to it," said Derek Holt, head of capital markets economics at Scotiabank in Toronto. "Nevertheless, markets are priced for basically one outcome here and that is little inflation and no hikes for years to come." Still, with such expectations already long considered as a foregone conclusion by many investors, there was some disappointment in the market. "By and large the Fed delivered the minimum of what had been expected by markets with a key focus on the implications of a move to 'flexible' inflation targeting," said Stephen Miller, investment strategist at GSFM in Sydney.

The 10-year U.S. Treasuries yielded 0.685%, a few basis points above its levels before the Fed. The U.S. dollar gained against most other currencies. The euro shed 0.4% to \$1.1767 while the Australian dollar lost 0.35% to \$0.7279, having erased earlier gains made after stronger-than-expected local jobs data. The Chinese yuan also dropped about 0.35% to 6.7686 per dollar, stepping back from a 16-month high hit on Wednesday. The yen moved little at 105.06 to the dollar ahead of the Bank of Japan's policy announcement later in the day, though no major policy change is expected.

With focus on new Prime Minister Yoshihide Suga, who is seen by some as a strong opponent of a higher yen, some traders said the market may be tempted to test his resolve on the currency. "One interesting speculative trade in the near-term will be to long the yen ahead of the coming long weekend in Japan," said a senior trading manager at a major Japanese bank.

As the dollar gains, oil prices gave up some of their big gains made on Wednesday on a drawdown in U.S. crude and gasoline inventories, with Hurricane Sally forcing a swath of U.S. offshore production

to shut. Brent crude dropped 0.62% to \$41.96 per barrel while U.S. crude fell 0.72% to \$39.87 per barrel.

Domestic Markets

South Africa's rand rallied to a six-month high on Wednesday, shaking off poor retail sales data as expectations of continued lower rates in the United States fed risk demand globally.

At 1500 GMT the rand was 0.93% firmer at 16.3025 per dollar, its strongest since March 16, smashing through the 16.50 technical resistance barrier that analysts see as a likely catalyst for further gains.

The rand led the charge by emerging market currencies against the greenback as investors upped bets the Federal Reserve would signal an extended period of low lending rates at its meeting later in the session.

The currency's gains come ahead of an expected lowering of local lending rates at Thursday's monetary policy meeting, on top of the record 300 basis points drop this year.

"Following difficult, choppy, and illiquid market conditions in August, EM risk assets have generally been better-behaved, helped by the Fed's announcement of a shift toward average inflation targeting," said Phoenix Kalen of Societe Generale. "For South Africa, strong risk sentiment supports portfolio inflows, and reduces the risk that rate cuts would destabilize the currency," Kalen said a note.

Bonds were a touch firmer, with the yield on the benchmark 2030 paper down 1 bps to 9.23%.

In the equities market, stocks dipped as data showed domestic retail sales for July slumped by more than expected adding to worries about a wobbly post-pandemic economic recovery. Aggressive stimulus measures and easing of lockdown restrictions have helped the Johannesburg Stock Exchange's main indexes bounce from a coronavirus-driven crash in March, with both the Johannesburg All-Share index and Top-40 index up more than 50% from a March 19 year low. But the all-share index has struggled to top its year high of 59,104.61, which it hit on Jan. 20.

Data on Wednesday showed retail sales fell 9% year-on-year in July following a revised 7.2% contraction in June. On a monthly basis sales fell 1.1%. A Reuters poll had predicted a 5% annual contraction. The reading also comes as some major retailers have reported or predicted weaker sales. "The recovery of this sector is expected to be protracted as many consumers have lost their jobs or endured salary cuts," Investec economist Lara Hodes said.

Among the retail decliners, supermarket chain Shoprite Holdings fell 3.11%, while budget clothing retailer Mr Price declined 1.72% and upper-end fashion and food retailer Woolworths Holdings fell 2.48%. The All-share index closed 0.3% weaker to 55,960 points, and the Blue-chip index was down 0.32% to end the day at 51,629 points. The dip was also caused by buyers who "are currently sitting on the side-lines waiting for SARBS' interest rates decision", said Greg Davis, a trader with Cratos Capital.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		17-Sep-2020		7:31
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	29,933,030	98,575	937,848	21,313,767

Market Overview

MARKET INDICATORS (Thomson Reuters)		17 September 2020			
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	→	3.88	0.000	3.88	3.88
6 months	→	3.94	0.000	3.94	3.94
9 months	→	3.96	0.000	3.96	3.96
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)	↑	4.20	0.035	4.16	4.22
GC22 (Coupon 8.75%, BMK R2023)	↑	5.12	0.025	5.10	5.12
GC23 (Coupon 8.85%, BMK R2023)	↑	5.02	0.025	5.00	5.02
GC24 (Coupon 10.50%, BMK R186)	↓	7.46	-0.005	7.46	7.46
GC25 (Coupon 8.50%, BMK R186)	↓	7.47	-0.005	7.47	7.47
GC26 (Coupon 8.50%, BMK R186)	↓	7.47	-0.005	7.47	7.47
GC27 (Coupon 8.00%, BMK R186)	↓	7.76	-0.005	7.76	7.76
GC30 (Coupon 8.00%, BMK R2030)	→	9.53	0.000	9.53	9.54
GC32 (Coupon 9.00%, BMK R213)	↑	10.65	0.005	10.64	10.65
GC35 (Coupon 9.50%, BMK R209)	↑	11.74	0.020	11.72	11.75
GC37 (Coupon 9.50%, BMK R2037)	↑	12.38	0.025	12.36	12.37
GC40 (Coupon 9.80%, BMK R214)	↑	12.93	0.015	12.92	12.93
GC43 (Coupon 10.00%, BMK R2044)	↑	13.49	0.015	13.48	13.48
GC45 (Coupon 9.85%, BMK R2044)	↑	13.77	0.015	13.76	13.76
GC50 (Coupon 10.25%, BMK: R2048)	↑	13.83	0.015	13.82	13.85
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)	→	5.98	0.000	5.98	5.98
GI33 (Coupon 4.50%, BMK NCPI)	→	6.82	0.000	6.82	6.82
GI36 (Coupon 4.80%, BMK NCPI)	→	7.15	0.000	7.15	7.15
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,959	0.19%	1,956	1,941
Platinum	↓	969	-0.97%	978	941
Brent Crude	↑	42.2	4.17%	40.5	41.6
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,100	-0.12%	1,101	1,100
JSE All Share	↓	55,961	-0.30%	56,131	55,961
SP500	↓	3,385	-0.46%	3,401	3,385
FTSE 100	↓	6,078	-0.44%	6,106	6,078
Hangseng	↓	24,726	-0.03%	24,733	24,338
DAX	↑	13,255	0.29%	13,218	13,255
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	10,087	0.12%	10,075	10,087
Resources	↑	56,828	0.21%	56,708	56,828
Industrials	↓	74,198	-0.92%	74,890	74,198
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	16.23	-1.22%	16.43	16.41
N\$/Pound	↓	21.04	-0.61%	21.17	21.21
N\$/Euro	↓	19.17	-1.48%	19.46	19.29
US dollar/ Euro	↓	1.181	-0.26%	1.185	1.176
Interest Rates & Inflation		Namibia		RSA	
		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	Jul 20	Jun 20
Inflation	↑	2.4	2.1	3.2	2.2

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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