



The Daily Brief

Capricorn Asset Management

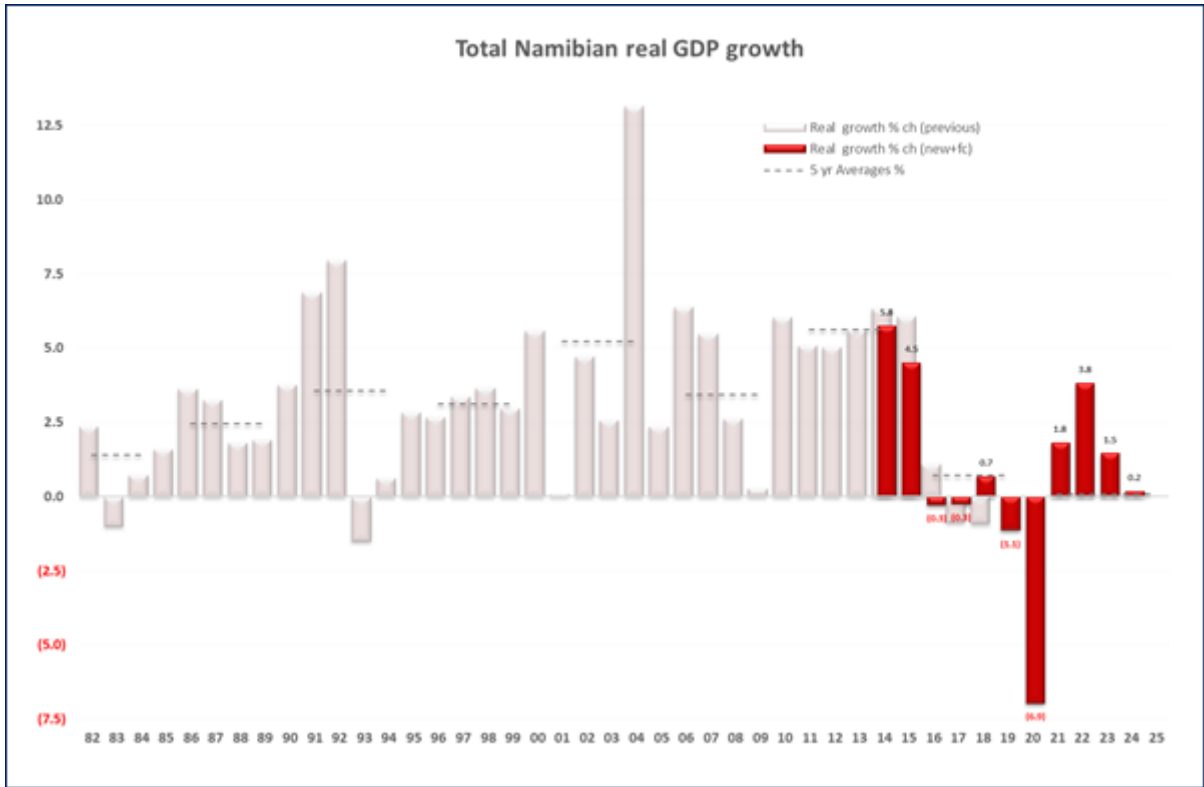
Market Update

Thursday, 18 June 2020

Bank of Namibia lowers interest rate

Further relief was provided to the embattled Namibian economy as the BoN cut its repo rate another notch to 4.0% from 4.25%. This means that the lending rates of banks will be shaved by 0.25% as the prime rate is lowered to 7.75%. Households and firms with debt like overdrafts, vehicle finance and mortgages, should be paying a little less on such debt going forward.

The economy is facing a deep recession in the wake of the Covid-induced measures (see chart). It is likely to lead to job losses and business closures. And inflation is very low at 2.1%. This is largely true globally and regionally. That is economic conditions are weak and deflation it's a greater danger than inflation.



Global Markets

Asian stocks and Wall Street futures fell on Thursday as spiking coronavirus cases in some U.S. states and China crushed hopes of a quick global economic comeback from the pandemic.

S&P 500 mini futures fell 1.2% in early Asian trade while MSCI's broadest index of Asia-Pacific shares outside Japan lost as much as 1%. Japan's Nikkei lost 1.3% while in mainland China, blue-chip CSI300 shares shed 0.1% in early trade. On Wall Street, the S&P 500 lost 0.36% on Wednesday but tech-heavy Nasdaq added 0.15% due to hopes of increased demand for various online services due to the epidemic.

Several U.S. states including Oklahoma, where President Donald Trump plans a campaign rally on Saturday, reported a surge in new coronavirus infections. The daily count of infections also hit a new benchmark in California and Texas, while Florida and Arizona also recorded the second-highest daily increases.

China's capital cancelled scores of flights, shut schools and blocked off some neighbourhoods as it ramped up efforts to contain a coronavirus outbreak that has fanned fears of wider contagion. "It is a big shock to markets that China, which appears to have successfully quashed the disease, is seeing a second wave. And in the U.S. we see record cases in many states," said Norihiro Fujito, chief investment strategist at Mitsubishi UFJ Morgan Stanley Securities. "All this suggests that the more you re-start the economy, the more infections you have. People have thought the economy will quickly recover in July-September after dismal April-June. But that is now becoming uncertain."

Investors rushed to the safety of bonds, with the 10-year U.S. Treasuries yield falling 3 basis points to 0.704%. In the currency market, the safe-haven yen rose about 0.3% to 106.72 per dollar while the U.S. dollar also firmed against risk-sensitive currencies. The euro dipped 0.1% to \$1.1235 while the Australian dollar lost 0.4% to \$0.6852, also hit by worse than expected employment data.

Australia's unemployment rate jumped to the highest in about two decades in May as nearly a quarter of a million people lost their jobs due to the coronavirus pandemic-driven shutdowns.

Oil prices also dropped with U.S. crude futures falling 1.9% to \$37.49 per barrel, while international benchmark Brent lost 1.4% to \$40.14 a barrel.

Source: Thomson Reuters

Domestic Markets

South Africa's rand clung on to small gains on Wednesday, supported by stimulus measures from major central banks, following a sell-off sparked by fears of a second global wave of coronavirus infections. At 1530 GMT, the rand was 0.23% firmer at 17.2000 per dollar, moving away from a session-high of 17.0875.

"The rand has been oscillating between 16.80 and 17.30 for the past couple of days, with market uncertainty quite clear. The rebound off the 16.30 low has left rand bulls a little gun shy, given the extent of the bounce," Standard Bank's Warrick Butler said in a note. "Investors want to sell USD to invest but are being held in check by the negative headlines and obvious risks. I don't expect this to change over the next couple of days."

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

This week the U.S. Federal Reserve said it would start buying corporate debt as part of an already announced stimulus scheme, with the extra money making it easier for investors to borrow the greenback to invest in high-yielding emerging market assets.

The yield on the long-dated government bond due in 2030 was up 1.5 basis points at 9.465%.

Stocks posted their best daily gain in almost a month on Wednesday, catching up with global markets following upbeat trial results for a COVID-19 treatment. Markets in South Africa were closed on Tuesday for a holiday.

Trial results announced on Tuesday showed dexamethasone, used to reduce inflammation in other diseases such as arthritis, reduced death rates by around a third among the most severely ill COVID-19 patients admitted to hospital.

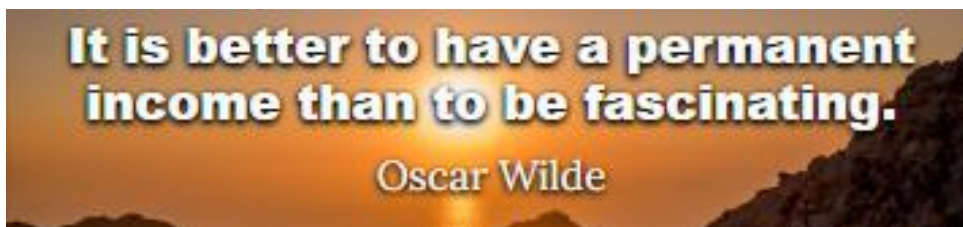
South African pharmaceutical firm Aspen Pharmacare confirmed on Wednesday that it owns rights to dexamethasone and distributes it in a number of countries, including at home. This pushed its shares up 9.29% to 148.90 rand. BP Bernstein portfolio manager Gerhard Parkin said the news was positive for Aspen as it meant governments would buy the drug from the firm, with funds expected to be used to lower the debt that has worried investors and hit its share price. "The market is focused on news that there are drugs available," he added. "So the market is just hoping that we're getting back to normal quicker than we thought."

A jump in Aspen gave the Johannesburg All-Share index its best day since May 19, closing 3.36% firmer, while the Top-40 companies index surged 3.63%.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		18-Jun-2020		5:16
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	8,357,269	172,474	447,985	3,993,392



Market Overview

MARKET INDICATORS (Thomson Reuters)					18 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	↓	4.77	-0.107	4.87	4.77
9 months	↓	4.88	-0.049	4.93	4.88
12 months	↓	4.97	-0.068	5.04	4.97
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↑	4.20	0.025	4.18	4.18
GC22 (BMK: R2023)	↓	6.05	-0.050	6.10	6.07
GC23 (BMK: R2023)	↓	6.03	-0.050	6.08	6.05
GC24 (BMK: R186)	↑	8.29	0.025	8.26	8.30
GC25 (BMK: R186)	↑	8.34	0.025	8.31	8.35
GC27 (BMK: R186)	↑	8.42	0.025	8.39	8.43
GC30 (BMK: R2030)	↑	10.06	0.070	9.99	10.06
GC32 (BMK: R213)	↑	10.75	0.045	10.70	10.76
GC35 (BMK: R209)	↑	11.99	0.090	11.90	11.99
GC37 (BMK: R2037)	↑	12.45	0.080	12.37	12.44
GC40 (BMK: R214)	↑	12.89	0.095	12.80	12.89
GC43 (BMK: R2044)	↑	13.31	0.090	13.22	13.32
GC45 (BMK: R2044)	↑	13.48	0.090	13.39	13.49
GC50 (BMK: R2048)	↑	13.53	0.095	13.43	13.53
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	↓	1,726	-0.04%	1,727	1,727
Platinum	↓	819	-0.19%	820	815
Brent Crude	↓	40.7	-0.61%	41.0	40.4
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,075	2.64%	1,048	1,075
JSE All Share	↑	54,027	3.36%	52,270	54,027
SP500	↓	3,113	-0.36%	3,125	3,113
FTSE 100	↑	6,253	0.17%	6,243	6,253
Hangseng	↑	24,481	0.56%	24,344	24,428
DAX	↑	12,382	0.54%	12,316	12,382
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	10,768	2.85%	10,470	10,768
Resources	↑	49,247	2.92%	47,848	49,247
Industrials	↑	74,654	4.24%	71,619	74,654
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	17.10	0.72%	16.98	17.10
N\$/Pound	↑	21.46	0.56%	21.35	21.47
N\$/Euro	↑	19.22	0.55%	19.12	19.25
US dollar/ Euro	↓	1.124	-0.18%	1.126	1.126
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↑	2.1	1.6	4.1	4.6
Prime Rate	↓	7.75	8.00	7.25	7.75
Central Bank Rate	↓	4.00	4.25	3.75	4.25

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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