Market Update — Wednesday, 18 March 2020

Global Markets

U.S. stock futures and several Asian shares fell in choppy trade on Wednesday, as worries about the coronavirus pandemic eclipsed hopes broad policy support would combat the economic fallout of the outbreak. Most traditional safe-haven assets were also under pressure as battered investors looked to unwind their damaged positions, leading to wide discrepancies between various markets.

In Asia, MSCI's broadest index of Asia-Pacific shares outside Japan dipped 0.3%, led by a 4.9% fall in Australia while Japan's Nikkei gained 1.6%. U.S. stock futures fell 3% in Asia, a day after the S&P 500 rose 6% and Dow Jones rose 5.2% or 1,049 points. "A rise of 1,000 points in Dow is something you see only during a financial crisis. It is not a good sign," said Tomoaki Shishido, senior fixed income strategist at Nomura Securities. "A rise of 100 points would much better for the economy."

Wild swings in markets imply the capacity of various players, from speculators to brokerages, to absorb risks has been tormented, analysts say. The increase in the S&P 500 futures the previous day, still down more than 10% so far this week, came as policymakers cobbled together packages to counter the impact of the virus. The Trump administration on Tuesday unveiled a $1 trillion stimulus package that could deliver $1,000 cheques to Americans within two weeks to buttress an economy hit by coronavirus while many other governments look to fiscal stimulus. "That would be bigger than a $787 billion package the Obama administration came up with after the Lehman crisis, so in terms of size it is quite big," said Masahiro Ichikawa, senior strategist at Sumitomo Mitsui Asset Management. "Yet stock markets will likely remain capped by worries about the spreading coronavirus," he said.

Britain unveiled a 330 billion pounds ($400 billion) rescue package for businesses threatened with collapse while France is to pump 45 billion euros ($50 billion) of crisis measures into its economy to help companies and workers. Still, forecasters at banks are projecting a steep economic contraction in at least the second quarter as governments take draconian measures to combat the virus, shutting restaurants, closing schools and calling on people to stay home.

The U.S. Federal Reserve stepped in again on Tuesday to ease funding stress among corporates by reopening its Commercial Paper Funding Facility to underwrite short-term corporate loans. "While markets react to positive news on stimulus, that doesn't last long. I think there are a lot of banks and investors whose balance sheet was badly hit and they still have lots of positions to sell," said Shin-ichiro Kadota, senior currency and rates strategist at Barclays.

The damage to markets was apparent in bond markets as well. U.S. Treasuries extended their losses, driving the benchmark 10-year yield to 1.009%. It hit a two-week high of 1.105% in the previous day, rising more than 30 basis points. "The staggering thing is, bonds have fallen even as the Fed has been buying 40 billion dollars of bonds every day. That far outpaces the Fed's previous episodes of quantitative easing and shows just how much selling pressure there is now," said Nomura's Shishido. Some market players said talk of big stimulus is raising concerns about the long-term outlook of U.S. fiscal health, putting pressure on long-term U.S. government bonds. The spread between 30-year and five-year yields rose to almost 1%, the highest since September 2017. The U.S. 30-year bonds yield jumped 38 basis points on Tuesday to 1.648%.

In the currency market, a shortage of dollar cash supported the U.S. currency. The Australian dollar bounced back to $0.6008 after having hit a 17-year low of low of $0.5958 the previous day. The kiwi recovered to $0.5955 after hitting a 11-year trough of $0.5919. The dollar held firm against most currencies but dipped 0.25% against the safe-haven yen to 107.28 yen. The euro was steady at $1.1004.

U.S. benchmark oil futures sank to near their 2016 trough of around $26 per barrel on prospects of slow demand and a Saudi-instigated price war.
Source: Thomson Reuters

Domestic Markets

South Africa's rand strengthened against the dollar on Tuesday, a day after the country's currency, stocks and government bonds plunged on panic over the coronavirus pandemic. Stocks also clawed back some of the value lost on Monday – the Johannesburg Stock Exchange’s (JSE) deepest daily drop on record.

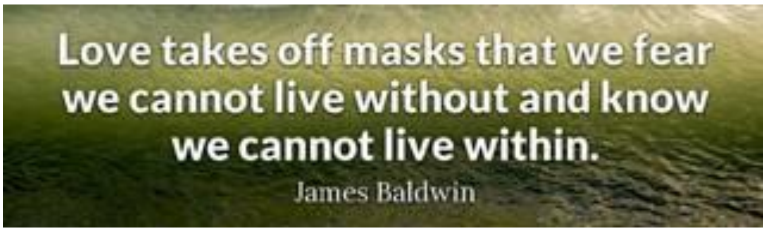
The rand was up 0.5% at 16.6100 per dollar by 1513 GMT, having weakened 2.5% on Monday, when global markets were ravaged as the U.S. Federal Reserve's second emergency rate cut failed to quell worries about the virus' mounting economic toll.

Investors' focus was on a rate decision due from South Africa's central bank on Thursday. The South African Reserve Bank is expected to cut interest rates, but the easing is likely to be less aggressive than other global central banks trying to mitigate damage from the virus outbreak, according to a Reuters poll. "If we look at the market, I think people are taking a pause for a moment. I think the market is exhausted and is just taking stock of where we are," said Andre Botha, currency dealer at Treasury One.

South African President Cyril Ramaphosa declared a national state of disaster on Sunday as he announced a range of measures to contain the outbreak that has infected 62 people in the country.

On the bourse, the JSE's Top-40 Index closed 2.96% higher at 37,375 points, while the broader all-share index rose 2.67% to 41,580 points. While gold firm AngloGold Ashanti topped the blue-chip index, up just under 25%, the vast majority of firms leading the index higher were retailers. Greg Davies, trader at Cratos Capital, said that pictures circulating on social media of empty shelves, sparking a perception of panic buying, will have helped boost the retailers, but added: "On a more serious note, the petrol price will come down in April and there is a good chance of an [interest] rate cut on Thursday" – factors he said also favoured retailers.

In fixed income, the yield on the 10-year government bond ZAR2030= was flat at 10.745%.
Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)					Wednesday, 18 March 2020
Money Market TB's		**Last close**	**Difference**	**Prev close**	**Current Spot**
3 months	↓	6.91	-0.271	7.18	6.91
6 months	↓	7.17	-0.082	7.26	7.17
9 months	↓	7.20	-0.032	7.23	7.20
12 months	↓	7.21	-0.043	7.26	7.21
Nominal Bonds		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC20 (BMK: R207)	↓	6.97	-0.010	6.98	6.95
GC21 (BMK: R2023)	↑	7.49	0.050	7.44	7.47
GC22 (BMK: R2023)	→	7.61	0.000	7.61	7.61
GC23 (BMK: R2023)	→	8.50	0.000	8.50	8.50
GC24 (BMK: R186)	↓	9.93	-0.025	9.95	9.93
GC25 (BMK: R186)	↓	9.91	-0.025	9.93	9.91
GC27 (BMK: R186)	↓	10.48	-0.025	10.50	10.48
GC30 (BMK: R2030)	→	11.74	0.000	11.74	11.74
GC32 (BMK: R213)	→	12.36	0.000	12.36	12.36
GC35 (BMK: R209)	↓	12.96	-0.010	12.97	12.96
GC37 (BMK: R2037)	↓	12.98	-0.020	13.00	12.98
GC40 (BMK: R214)	↓	13.27	-0.005	13.27	13.27
GC43 (BMK: R2044)	↓	13.57	-0.005	13.58	13.57
GC45 (BMK: R2044)	↓	13.81	-0.005	13.82	13.81
GC50 (BMK: R2048)	↓	13.83	-0.010	13.84	13.83
Inflation-Linked Bonds		**Last close**	**Difference**	**Prev close**	**Current Spot**
GI22 (BMK: NCPI)	→	4.40	0.000	4.40	4.40
GI25 (BMK: NCPI)	→	4.60	0.000	4.60	4.60
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	↑	1,528	0.95%	1,514	1,528
Platinum	↓	661	-0.24%	663	665
Brent Crude	↓	28.7	-4.39%	30.1	29.1
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	↑	906	1.41%	893	906
JSE All Share	↑	41,580	2.67%	40,500	41,580
SP500	↑	2,529	6.00%	2,386	2,529
FTSE 100	↑	5,295	2.79%	5,151	5,295
Hangseng	↑	23,264	0.87%	23,064	23,200
DAX	↑	8,939	2.25%	8,742	8,939
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	↓	10,631	-1.57%	10,800	10,631
Resources	↑	31,883	6.33%	29,985	31,883
Industrials	↑	57,183	2.82%	55,614	57,183
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	↓	16.63	-0.35%	16.69	16.59
N$/Pound	↓	20.04	-2.10%	20.47	20.09
N$/Euro	↓	18.29	-2.00%	18.66	18.31
US dollar/ Euro	↓	1.100	-1.65%	1.118	1.103
		Namibia		**RSA**	
Economic data		**Latest**	**Previous**	**Latest**	**Previous**
Inflation	↑	2.5	2.1	4.5	4.0
Prime Rate	↓	10.00	10.25	9.75	10.00
Central Bank Rate	↓	6.25	6.50	6.25	6.50

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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