



Market Update

Friday, 18 September 2020



Global Markets

Asian stocks inched up on Friday, despite Wall Street declines, but struggled to make deeper gains as worries about a faltering economic recovery kept investors to the side-lines or seeking safer harbour in assets such as the Japanese yen.

Oil prices held hefty overnight gains after OPEC flagged a crackdown on member states that did not cut output and the dollar was back to nursing losses after a brief journey higher in the wake of Wednesday's Federal Reserve meeting.

MSCI's broadest index of Asia-Pacific shares outside Japan looked set to end the week 1% ahead following two weeks of tech-led losses. It rose 0.2% on the day while market moves around the region were small. Japan's Nikkei edged 0.1% higher. The ASX 200 was flat, while stocks in Shanghai, Hong Kong and Seoul rose between 0.2% and 0.4%.

U.S. stock futures were soft, with S&P 500 futures down 0.2%, though Nasdaq 100 futures turned positive by the middle of the Asia session to trade 0.07% higher. "The bigger picture issue is that

markets, particularly growth and tech stocks, have run very hard into the end of August, which has left them somewhat vulnerable," said AMP Capital chief economist Shane Oliver.

"There's uncertainty ahead of the U.S. elections...China-U.S. tensions keep creeping in and on top of that there's now uncertainty about how the recovery will proceed from here in the absence of more stimulus in the U.S." Overnight data showed recovery in the U.S. labour market stalling and Wall Street indexes fell for a second straight session amid disappointment that the Fed made no new monetary easing commitments at its meeting this week. The S&P 500 ended down 0.84%, and the Nasdaq dropped 1.27%. The Nasdaq's losses put the index down roughly 10% from a record high hit early in September and have it tracking for its worst month since March.

"Unlike June, there is more fear of a deeper correction," analysts at Singapore's DBS Bank said in a note - since the Nasdaq is below its 50-day moving average, a key technical support level, and the U.S. election is fast approaching. "The landscape is more challenging compared to three months ago."

In contrast to the Fed, the Bank of England made clear overnight that it is open to further aggressive easing and is looking closely at taking interest rates negative. That dovish tone sent the pound sharply lower before it recovered as the dollar weakened in the New York session. The Japanese yen also rose overnight, shrugging off a dovish-sounding Bank of Japan to ride a softer greenback and a safety bid to a seven-week peak of 104.52 per dollar. It held there on Friday, though some traders think it can rise further. "The relative balance sheet trend between the Bank of Japan and Fed can contribute to downside pressure on dollar/yen," said Commonwealth Bank of Australia currency analyst Joe Capurso.

In commodity markets, oil held sharp gains after OPEC and its allies said the group will take action on members that are not complying with deep output cuts. Brent crude futures were last 0.2% firmer at \$43.39 a barrel and U.S. crude futures rose by the same margin to \$41.04 a barrel.

U.S. Treasuries picked up where they left off, with yields on 10-year U.S. government debt at 0.6838% after concerns about possible inflation rises in the future helped reverse a bond rally in overnight trade. Later on Wednesday, U.S. consumer confidence data is due and Fed board member James Bullard is to make a speech on the challenges of the COVID-19 recovery, both at 1400 GMT.

Domestic Markets

South Africa's central bank left interest rates unchanged for the first time this year in a split decision on Thursday, saying risks to economic growth and consumer inflation were balanced.

Three members of the bank's five-member monetary policy committee (MPC) favoured keeping rates on hold at 3.5%, while two voted for a 25 basis-point cut, a split reflected in analysts' forecasts.

"In this highly uncertain environment, future decisions will continue to be data-dependent and sensitive to the balance of risks to the outlook," said Governor Lesetja Kganyago as he announced the decision. Kganyago said the bank's projection model showed no rate cuts in the near future and two hikes in late 2021.

The decision follows 300 bps of rate cuts since the beginning of 2020 to support an economy that was in recession before COVID-19 hit. The bank slashed its 2020 growth forecast to a contraction of 8.2% from its July forecast of a 7.3% contraction, predicting a rebound in growth 3.9% in 2021.

Economic output recorded its largest contraction ever in the second quarter - down by an annualised 51% from the first quarter, or 16.4% in unadjusted terms - as a strict lockdown shut down most activity. South Africa has more than 650,000 confirmed COVID-19 cases, the most in Africa.

President Cyril Ramaphosa said on Wednesday lockdown restrictions will be eased to their lowest level from next Monday and said international borders would reopen on Oct. 1. He also promised to unveil a recovery plan soon.

Against the backdrop of weak growth, calls from trade unions and some politicians for the bank to lower rates to support growth have grown louder. Kganyago said the bank's hands were tied. "Monetary policy ... cannot on its own improve the potential growth rate of the economy or reduce fiscal risks. These should be addressed by implementing prudent macroeconomic policies and structural reforms."

The rand gained after the decision. At 1415 GMT it was 0.57% firmer at 16.1825 per dollar.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		18-Sep-2020		5:46
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	30,049,146	204,028	942,101	20,508,403

Human history becomes more and more a race between education and catastrophe.

H. G. Wells

Market Overview

MARKET INDICATORS (Thomson Reuters)		18 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)	↑	4.22	0.020	4.20	4.22
GC22 (Coupon 8.75%, BMK R2023)	↑	5.25	0.125	5.12	5.22
GC23 (Coupon 8.85%, BMK R2023)	↑	5.15	0.125	5.02	5.12
GC24 (Coupon 10.50%, BMK R186)	↑	7.47	0.015	7.46	7.45
GC25 (Coupon 8.50%, BMK R186)	↑	7.48	0.015	7.47	7.46
GC26 (Coupon 8.50%, BMK R186)	↑	7.48	0.015	7.47	7.46
GC27 (Coupon 8.00%, BMK R186)	↑	7.77	0.015	7.76	7.75
GC30 (Coupon 8.00%, BMK R2030)	↓	9.49	-0.040	9.53	9.46
GC32 (Coupon 9.00%, BMK R213)	↓	10.58	-0.065	10.65	10.56
GC35 (Coupon 9.50%, BMK R209)	↓	11.64	-0.100	11.74	11.62
GC37 (Coupon 9.50%, BMK R2037)	↓	12.28	-0.105	12.38	12.26
GC40 (Coupon 9.80%, BMK R214)	↓	12.84	-0.095	12.93	12.82
GC43 (Coupon 10.00%, BMK R2044)	↓	13.39	-0.100	13.49	13.37
GC45 (Coupon 9.85%, BMK R2044)	↓	13.67	-0.100	13.77	13.65
GC50 (Coupon 10.25%, BMK: R2048)	↓	13.74	-0.090	13.83	13.72
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	↓	1,943	-0.85%	1,959	1,953
Platinum	↓	940	-2.94%	969	940
Brent Crude	↑	43.3	2.56%	42.2	43.6
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,092	-0.67%	1,100	1,092
JSE All Share	↓	55,036	-1.65%	55,961	55,036
SP500	↓	3,357	-0.84%	3,385	3,357
FTSE 100	↓	6,050	-0.47%	6,078	6,050
Hangseng	↓	24,341	-1.56%	24,726	24,421
DAX	↓	13,208	-0.36%	13,255	13,208
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	10,056	-0.31%	10,087	10,056
Resources	↓	55,119	-3.01%	56,828	55,119
Industrials	↓	73,349	-1.14%	74,198	73,349
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	16.15	-0.47%	16.23	16.17
N\$/Pound	↓	20.95	-0.43%	21.04	20.97
N\$/Euro	↓	19.14	-0.20%	19.17	19.16
US dollar/ Euro	↑	1.185	0.28%	1.181	1.185
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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