



## Market Update

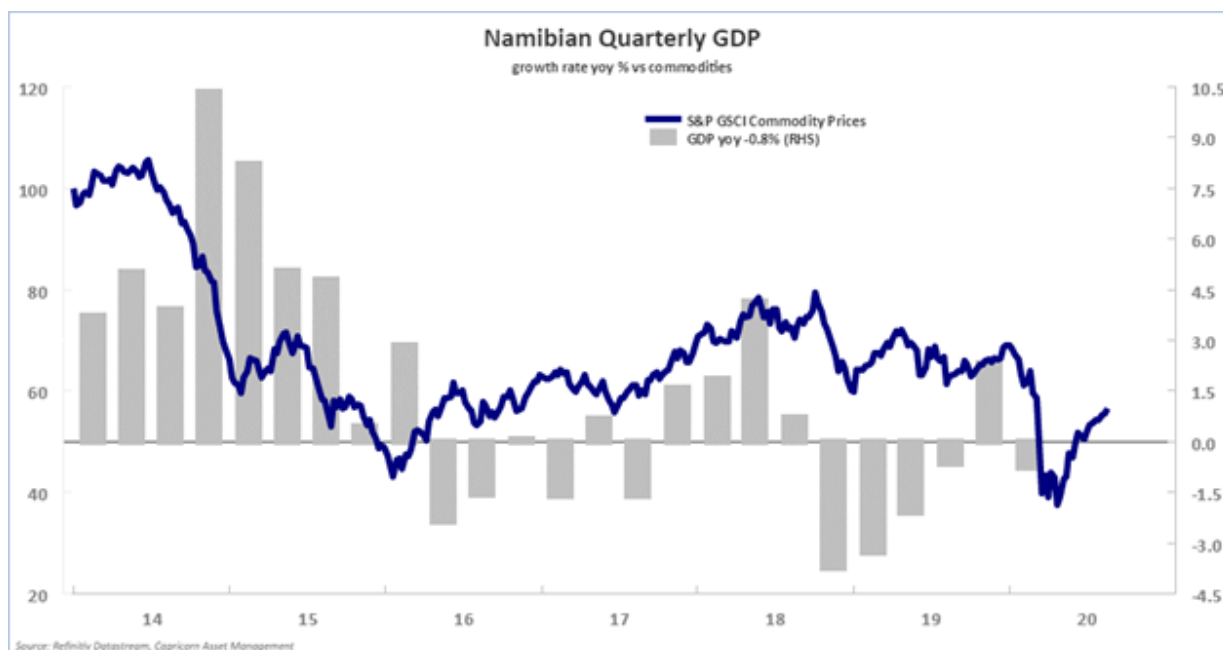
Wednesday, 19 August 2020

### Namibian Growth Outlook Worsens

We await the publication of the second quarter GDP numbers, which should be published over the course of the next month or two. Meanwhile the Bank of Namibia has said that Namibia's economy is likely to contract by 7.8% in 2020 before a moderate recovery in 2021, according to the central bank's economic outlook for the year published on Tuesday.

"The... contraction during 2020 is mainly attributed to the outbreak of the COVID-19 pandemic," the Bank of Namibia (BoN) said, revising down its previous forecast of a 6.9% contraction this year.

The Monetary Policy Committee of the BoN meets today. We expect them to cut the Repo Rate by 25bp to 3.75% as we start to approach the end of the cutting cycle.



### Global Markets

Asian shares climbed to a seven-month peak on Wednesday tracking the S&P 500, which scaled all-time highs driven by ever expanding policy stimulus aimed at cushioning the blow to economies from the coronavirus pandemic.

MSCI's broadest index of Asia-Pacific shares outside of Japan rose 0.3%, up for a third straight day to 570.80 points, a level not seen since late January. The gains were driven by Australian shares, up 0.8% and South Korea, which added 0.6%. Japan's Nikkei nudged up too though Chinese shares started weaker with the blue-chip CSI300 index off 0.7%.

Overnight, both the S&P 500 and Nasdaq Composite set records soon after the opening bell following strong sales growth reported by major U.S. retailers including Walmart, Kohl's and Home Depot. The closely-watched S&P 500 topped an all-time peak reached in February just before the onset of the COVID-19 pandemic drove the benchmark index to lows on March 23. The index has surged about 55% since then.

At just 126 days, that "is the fastest bear market recovery ever," said Tapas Strickland, economist at Melbourne-based National Australia Bank. Nasdaq clocked its 18th record closing high since early June.

The U.S. Federal Reserve's intervention in financial markets to maintain liquidity in the midst of the coronavirus pandemic has pushed risk assets to all-time highs and reduced demand for safe-havens, weakening the greenback. Market optimism was also buoyed by data showing an acceleration in U.S. homebuilding to the most in nearly four years in July, signifying that the housing sector is emerging as one of the few areas of strength.

In addition, hopes of an interim fiscal package were re-ignited overnight with House Speaker Nancy Pelosi indicating a willingness to cut their proposals in order to seal a deal, NAB's Strickland noted. Markets were also paying close attention to minutes from the Fed's recent meeting due later in the day "for any hints on what the Fed could announce regarding forward guidance come September," Strickland said. The Fed has cut rates to near zero to bolster business through the pandemic, sending the dollar to a 27-month low.

The dollar index was last unchanged at 92.23 from above-100 in March. The safe haven Japanese yen was a tad firmer at 107.51 versus the greenback. The risk-sensitive Australian dollar traded near \$0.7255, while the kiwi last bought \$0.6611.

Gold flirted with key charted resistance of \$2,000 an ounce to be last at \$1,998. U.S. gold futures were a shade weaker at \$2,005.2. Oil prices skidded as concerns grew that U.S. fuel demand may not recover quickly. Brent crude down 26 cents at 45.20 and U.S. crude off 18 cents at \$42.71.

## **Domestic Markets**

The South African rand firmed against the dollar on Tuesday, as market sentiment improved after a coronavirus-induced lockdown was lifted over the weekend, while a weaker U.S. currency also helped the local unit. At 1500 GMT, the rand traded at 17.3350 per dollar, 0.97% stronger than its previous close.

"Buying sentiment towards the local currency has been stimulated by a sweeping removal of lockdown restrictions over the weekend, while dollar weakness continues to support upside gains," said Lukman Otunuga, senior research analyst at FXTM. "The USDZAR has found resistance below 17.50. A broadly weaker dollar could drag prices back towards 17.15 in the short term," Otunuga added.

The U.S. dollar fell against a basket of major currencies for a fifth consecutive trading day on Tuesday, reaching its lowest level in over two years, under pressure from low yields and bleak economic data in the United States.

In South Africa, President Cyril Ramaphosa on Saturday announced a further easing of the country's strict coronavirus lockdown. Official forecasts predict gross domestic product will contract by at least 7% this year, extending the pain for an economy that was already in recession before the COVID-19 pandemic struck.

Stocks dipped, as petrochemicals major Sasol extended its losses after it said on Monday it will issue up to \$2 billion of shares as it battles high debt, lower oil and chemicals prices, and the coronavirus crisis. Sasol shares were down 5% at 131.95 rand.

The benchmark FTSE/JSE all share index closed down 0.71% at 57,025 points, while the FTSE/JSE top 40 companies index ended lower 0.76% at 52,738 points.

In fixed income, the yield on the 2030 bond was flat at 9.28%.

Source: Thomson Reuters

## Corona Tracker

GLOBAL CASES		2020-08-19		02:46:50.132Z	
SOURCE - REUTERS		Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	22,121,284	204,500	777,966	13,961,049	

*“Everyone wants a revolution. No one wants to do the dishes.”*

**Tish Harrison Warren**

## Market Overview

MARKET INDICATORS (Thomson Reuters)					19 August 2020										
<b>Money Market TB's</b>															
		Last close	Difference	Prev close	Current Spot										
3 months	➡	3.96	0.000	3.96	3.96										
6 months	⬆	4.07	0.025	4.04	4.07										
9 months	⬆	4.15	0.033	4.12	4.15										
12 months	⬆	4.17	0.025	4.15	4.17										
<b>Nominal Bonds</b>															
		Last close	Difference	Prev close	Current Spot										
GC21 (BMK: R208)	➡	4.05	0.000	4.05	4.05										
GC22 (BMK: R2023)	⬇	5.38	-0.035	5.42	5.35										
GC23 (BMK: R2023)	⬇	5.36	-0.035	5.40	5.33										
GC24 (BMK: R186)	➡	7.82	0.000	7.82	7.82										
GC25 (BMK: R186)	➡	7.87	0.000	7.87	7.87										
GC26 (BMK: R186)	➡	7.92	0.000	7.92	7.92										
GC27 (BMK: R186)	➡	8.00	0.000	8.00	8.00										
GC30 (BMK: R2030)	➡	9.48	0.000	9.48	9.48										
GC32 (BMK: R213)	⬆	10.65	0.010	10.64	10.65										
GC35 (BMK: R209)	⬇	11.72	-0.010	11.73	11.72										
GC37 (BMK: R2037)	⬇	12.39	-0.015	12.40	12.40										
GC40 (BMK: R214)	⬇	12.96	-0.030	12.99	12.94										
GC43 (BMK: R2044)	⬇	13.28	-0.040	13.32	13.28										
GC45 (BMK: R2044)	⬇	13.78	-0.040	13.82	13.78										
GC50 (BMK: R2048)	⬇	13.95	-0.050	14.00	13.96										
<b>Inflation-Linked Bonds</b>															
		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										
<b>Commodities</b>															
		Last close	Change	Prev close	Current Spot										
Gold	⬆	2,001	0.78%	1,986	1,992										
Platinum	⬆	956	0.70%	950	952										
Brent Crude	⬆	45.5	0.20%	45.4	45.1										
<b>Main Indices</b>															
		Last close	Change	Prev close	Current Spot										
NSX Overall Index	⬆	1,129	1.41%	1,113	1,129										
JSE All Share	⬇	57,025	-0.71%	57,435	57,025										
SP500	⬆	3,390	0.23%	3,382	3,390										
FTSE 100	⬇	6,077	-0.83%	6,127	6,077										
Hangseng	⬆	25,367	0.08%	25,347	25,147										
DAX	⬇	12,882	-0.30%	12,921	12,882										
<b>JSE Sectors</b>															
		Last close	Change	Prev close	Current Spot										
Financials	⬆	10,162	1.95%	9,968	10,162										
Resources	⬇	59,032	-1.98%	60,227	59,032										
Industrials	⬇	74,888	-0.54%	75,291	74,888										
<b>Forex</b>															
		Last close	Change	Prev close	Current Spot										
N\$/US dollar	⬇	17.32	-0.92%	17.48	17.32										
N\$/Pound	⬆	22.92	0.09%	22.90	22.97										
N\$/Euro	⬇	20.66	-0.42%	20.74	20.68										
US dollar/ Euro	⬆	1.193	0.51%	1.187	1.194										
<table border="0" style="width: 100%;"> <tr> <td></td> <td colspan="2" style="text-align: center;">Namibia</td> <td colspan="2" style="text-align: center;">RSA</td> </tr> <tr> <td><b>Economic data</b></td> <td>Latest</td> <td>Previous</td> <td>Latest</td> <td>Previous</td> </tr> </table>							Namibia		RSA		<b>Economic data</b>	Latest	Previous	Latest	Previous
	Namibia		RSA												
<b>Economic data</b>	Latest	Previous	Latest	Previous											
Inflation	➡	2.1	2.1	2.2	2.1										
Prime Rate	⬇	7.75	8.00	7.25	7.75										
Central Bank Rate	⬇	4.00	4.25	3.50	3.75										

**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



**Capricorn Asset Management**



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