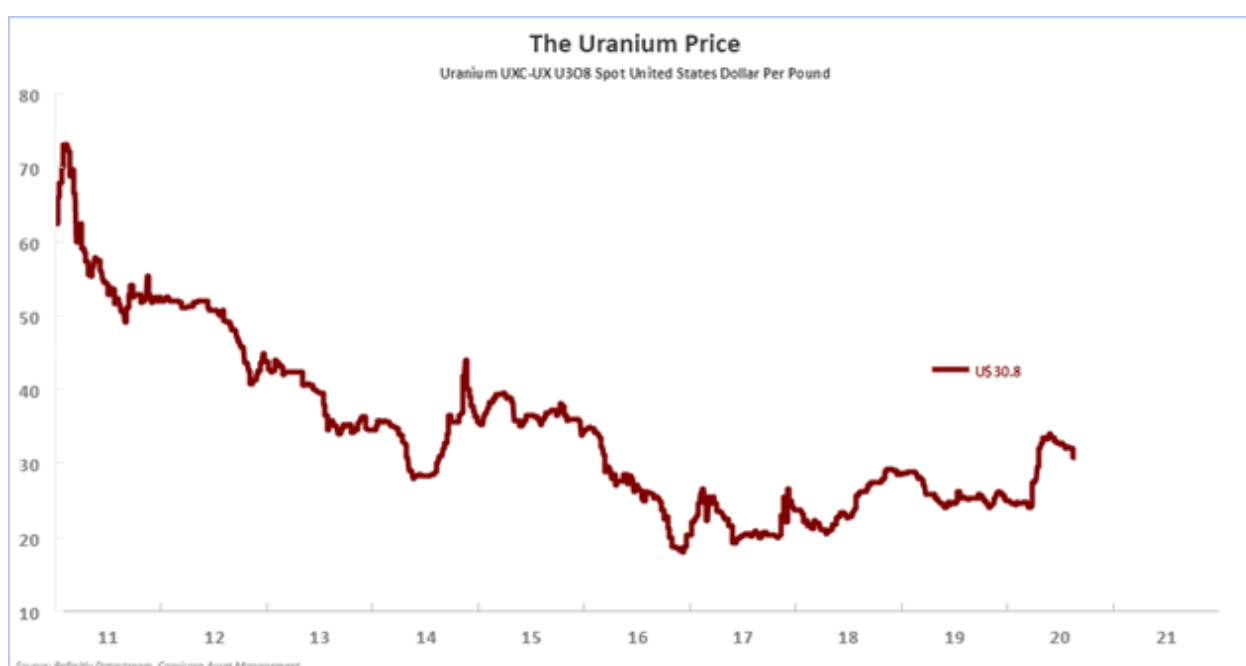




Market Update

Friday, 21 August 2020



Global Markets

Stock markets rebounded on Friday following Wall Street's lead, but were set for their softest week in about a month as investors grapple with tepid economic data and lofty valuations after a huge rally that has wiped out coronavirus losses.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 1.1% on Friday, as indexes in Korea, Taiwan and Hong Kong repaired Thursday's losses. However, the broad gauge is poised to end the week barely ahead of where it began. Japan's Nikkei edged up 0.4% but was headed for a 1.4% weekly drop, while a bond market selloff has also moderated as caution and summer-time lassitude weighs on the mood. Futures were mildly positive, but similarly lacking in direction with EuroSTOXX 50 futures up 0.4%, FTSE futures up 0.1% and S&P 500 up 0.3% in the wake of another tech-inspired record intraday high on the index.

The S&P 500 has rallied 54% from its March low in a world awash with monetary and fiscal stimulus, but money managers are reckoning further gains will be harder to come by. "All of this rise in the equity market has not really coming from earnings, but more from lower yields," said Frank Benzmira, head of Asia equity strategy at Societe Generale in Hong Kong. "You're going to have

some limit to where the yield can fall (further) and push the S&P higher. So, I think we are maybe now, at this level of the equity market, in a period of a question mark," he said.

Overnight, clouds returned to the U.S. labour market outlook, with weekly jobless claims back over a million to put the total number of Americans on unemployment benefits at 28 million. The Philadelphia Federal Reserve's business index also missed expectations and together the weak readings pushed down nominal U.S. yields and dragged on the dollar. Benchmark U.S. 10-year debt yields were last steady at 0.6574%.

Investors are looking ahead to purchasing managers' index surveys across Europe, Britain and the United States - where steady, slightly positive, readings are expected - for the next broad gauge of the recovery's progress. Japan's factory activity fell in August for a 16th month as domestic and global demand remained weak, a private business survey showed, casting doubt over manufacturers' hopes for a rapid rebound.

In currency markets, the U.S. dollar seemed unable to shake downward pressure. A bounce in the wake of the release of Federal Reserve minutes that fell short of dovish market expectations wore off fairly quickly and the dollar looked set for a ninth consecutive weekly loss against a basket of currencies. Sterling reversed losses against the dollar to sit at \$1.3245 and the risk-sensitive Australian dollar again sojourned above \$0.72. The euro edged up to \$1.1878.

Currency traders are increasingly focused on an address next Thursday by Fed Chair Jerome Powell in case he reveals any details of an expected shift in policy emphasis - especially around inflation - that were absent in the minutes. The Japanese yen inched up to 105.59 after an inflation miss supported real yields. The Thai baht is tracking for its worst week in a month as investors begin to fret about political unrest.

Elsewhere, and perhaps indicating the low bar for impressing traders, markets interpreted the lack of a U.S. rebuff to a Chinese push for trade talks soon as a positive sign and the yuan hit a seven-month high of 6.8935.

In commodity markets, the prospect of production cuts had oil prices on track for a third straight weekly gain. Brent crude futures were last up 0.4% at \$45.07 a barrel and U.S. crude future rose 0.3% to \$42.95 a barrel. Gold was steady at \$1,948.36 an ounce.

Domestic Markets

The South African rand weakened on Thursday as the U.S. dollar rebounded after less dovish than expected minutes from last month's U.S. Federal Reserve policy meeting.

At 1500 GMT, the rand traded at 17.3225 versus the dollar, 0.3% weaker on the day.

"The Fed kept its cards close to its chest on Wednesday, not providing any clear direction in terms of policy moving forward," said Bianca Botes, executive director at Peregrine Treasury Solutions in Pretoria. "The dollar took advantage of this, clawing back lost ground against other major currencies."

The readout of last month's Fed meeting gave few clues about whether a more dovish shift in policy is possible in the coming months, helping to ease recent selling pressure on the dollar.

South African state power utility Eskom implemented a third straight day of planned power cuts on Thursday after breakdowns at its coal-fired power stations. Local financial markets have largely

shrugged off the latest bout of power cuts so far, but they highlight the obstacles to growth in Africa's most industrialised economy.

Stocks continued to slide as investors took profits in hospitality stocks, while weak results and earnings forecasts coupled with the Fed minutes rattled sentiment. At the close, the Johannesburg All-Share index fell to a near three-week low, down 1.42% to 55,629 points, while the Top-40 index weakened 1.45% to 51,380 points, a level last hit on Aug. 3.

Profit takers continued to move on hotel and casino operators Sun International and Tsogo Sun Gaming, which dropped 10.78% to 11.26 rand and 6.40% to 3.51 rand respectively. Hospitality shares, which were mostly up last week and on Monday after President Cyril Ramaphosa removed coronavirus lockdown restrictions over the weekend, started snapping their winning streak on Tuesday.

Budget clothing and furniture retailer Mr Price closed 5.83% weaker after it said its half-year profit would fall by at least 20% due to the impact of the coronavirus. Meanwhile Standard Bank fell 0.98% after the lender reported a 43% drop in half-year profit due to soaring bad loans.

"People look at those numbers and go 'things are really tough out there' and it brings people back to reality that the economy being seriously damaged by this lockdown is not going to disappear overnight just because we're on level two (lockdown)," Cratos Capital equity trader Greg Davies said. "Those numbers are slowing the upward momentum that we saw going into the lowering of the level so people are just generally feeling less optimistic."

South African government bonds firmed, with the yield on the 2030 instrument down 2 basis points to 9.270%.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		21-Aug-2020		6:32
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	22,707,874	258,539	791,727	14,428,367



Market Overview

MARKET INDICATORS (Thomson Reuters)				21 August 2020	
Money Market TB's					
		Last close	Difference	Prev close	Current Spot
3 months	→	3.96	0.000	3.96	3.96
6 months	→	4.07	0.000	4.07	4.07
9 months	→	4.15	0.000	4.15	4.15
12 months	→	4.17	0.000	4.17	4.17
Nominal Bonds					
		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↑	4.06	0.025	4.03	4.05
GC22 (BMK: R2023)	↓	5.15	-0.025	5.17	5.15
GC23 (BMK: R2023)	↓	5.12	-0.025	5.14	5.12
GC24 (BMK: R186)	↓	7.74	-0.055	7.79	7.74
GC25 (BMK: R186)	↓	7.75	-0.055	7.80	7.75
GC26 (BMK: R186)	↓	7.79	-0.055	7.84	7.79
GC27 (BMK: R186)	↓	8.04	-0.055	8.09	8.04
GC30 (BMK: R2030)	↓	9.58	-0.015	9.59	9.59
GC32 (BMK: R213)	↓	10.38	-0.045	10.43	10.38
GC35 (BMK: R209)	↓	11.77	-0.005	11.78	11.77
GC37 (BMK: R2037)	↓	12.38	-0.010	12.39	12.38
GC40 (BMK: R214)	↓	12.94	-0.015	12.95	12.94
GC43 (BMK: R2044)	↑	13.29	0.005	13.28	13.29
GC45 (BMK: R2044)	↑	13.84	0.005	13.83	13.84
GC50 (BMK: R2048)	↑	13.94	0.020	13.92	13.94
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	↑	1,943	0.68%	1,930	1,946
Platinum	↓	918	-1.50%	932	921
Brent Crude	↓	44.9	-1.04%	45.4	45.0
Main Indices					
		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,090	-2.78%	1,121	1,090
JSE All Share	↓	55,630	-1.42%	56,433	55,630
SP500	↑	3,386	0.32%	3,375	3,386
FTSE 100	↓	6,013	-1.61%	6,112	6,013
Hangseng	↓	24,791	-1.54%	25,179	25,118
DAX	↓	12,830	-1.14%	12,977	12,830
JSE Sectors					
		Last close	Change	Prev close	Current Spot
Financials	↓	9,959	-2.30%	10,193	9,959
Resources	↓	56,973	-1.84%	58,039	56,973
Industrials	↓	73,459	-0.87%	74,104	73,459
Forex					
		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	17.26	-0.04%	17.27	17.23
N\$/Pound	↑	22.81	0.83%	22.62	22.82
N\$/Euro	↑	20.47	0.15%	20.44	20.46
US dollar/ Euro	↑	1.186	0.19%	1.184	1.188
Namibia					
RSA					
Economic data					
		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	↓	3.75	4.00	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



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