



Market Update

Wednesday, 22 January 2020

Global Markets

Asian stock markets bounced on Wednesday as China's response to a virus outbreak tempered fears of a global pandemic, although Shanghai shares slipped amid worries about a hit to domestic demand and tourism.

Fears of contagion, particularly as millions travel for Lunar New Year festivities, has pushed stocks from record peaks. The outbreak has revived memories of the Severe Acute Respiratory Syndrome (SARS) epidemic in 2002-03, a coronavirus outbreak that killed nearly 800 people and hurt world travel. Yet this time, China's response and candour - in contrast to the initial cover-up of the SARS outbreak - has tempered some of the gravest fears about the possible global fallout. China's National Health Commission said on Wednesday there were 440 cases of the new virus, with nine deaths so far. Measures are now in place to minimise public gatherings in the most-affected regions.

The Shanghai Composite index recovered from an early 1.4% drop to trade 0.5% lower by mid-morning. Markets elsewhere advanced, driving the MSCI index of Asia-Pacific shares outside Japan up 0.5%. Japan's Nikkei, Korea's Kospi index and Hong Kong's Hang Seng all rose by more than half a percentage point after heavy drops on Tuesday. Australia's S&P/ASX 200 shrugged off worries to hit a fresh record high.

"The call here is not that the virus is done or nipped in the bud by any means," said Kay Van-Petersen, global macro strategist at Saxo Capital Markets. "But there have been no big further reported outbreaks, and the response from the Chinese authorities has been very, very positive...China is 1.4 billion people. This is not the first time they're tackling a bug that's gotten out of hand."

The outbreak, from its origin in Wuhan, China, has reached the United States, Thailand, South Korea, Japan and Taiwan. Cases have been confirmed in 13 Chinese provinces. The World Health Organization (WHO) meets later on Wednesday to consider whether the outbreak is an international emergency.

Airlines, other travel-exposed stocks and retailers vulnerable to shifts in consumer sentiment have borne the brunt of selling in the past two days along with the Chinese yuan. MSCI's airline industry index posted its biggest daily drop in more than three months on Tuesday and shares in the industry were still falling on Wednesday.

On Wall Street overnight, the Dow Jones Industrial Average fell half a percent and the S&P 500 dropped almost a third of a percentage point, led by falls in airlines and China-exposed casino operators. "While details on the coronavirus are scant, we reckon that the SARS period could offer some clues as to how markets could pan out," said analysts at Singapore's DBS Bank. "The trends are clear: Yields and stock prices fell in the first few months of the SARS outbreak and rebounded thereafter."

So far, the yield on U.S. 10-year government bonds has stabilised after Tuesday's drop, sitting a little firmer at 1.7865%. Spot gold also gave back some gains to hold 0.3% weaker at \$1,553.01 per ounce. In currencies, the safe-haven yen eased slightly from the one-week high it touched overnight, although the yuan nursed its losses. It was steady at 6.9026 per dollar. Oil prices also settled back as traders figured a well-supplied global market would be able to absorb disruptions that have cut Libya's crude production to a trickle. Brent futures settled down 20 cents at \$64.59 a barrel. U.S. crude fell 20 cents, or 0.3%, to \$58.38 per barrel.

Source: Thomson Reuters

Domestic Markets

South Africa's rand dipped to a new five-week low on Tuesday, with the currency struggling for momentum as a weak domestic economic outlook failed to provide a basis for optimism.

The rand touched 14.5970 per dollar in the session, its weakest since Dec. 12, before trimming losses to trade largely flat at 14.4810 at 1500 GMT. Stocks also fell. The currency has weakened more than 3% versus the greenback since the start of the year.

"The market, as a whole, doesn't seem like it holds much interest in currencies since the start of the year's initial burst," said Warrick Butler, executive for rand and emerging market spot trading at Standard Bank. "The rand has underperformed other risky assets during this period but that ties into cyclical demand and the dire fundamental position of the country."

Africa's most industrialised economy is growing at a snail's pace, with power supply interruptions from struggling state utility Eskom contributing to low business confidence. The International Monetary Fund on Monday cut its South African growth forecasts to 0.8% this year and 1.0% in 2021, following recent downward revisions to the South African Reserve Bank's forecasts.

President Cyril Ramaphosa has found it hard to push through much-needed reforms and rein in rapidly rising debt levels, putting the country's last investment-grade credit rating from Moody's at risk.

Stocks closed lower, with the Johannesburg Stock Exchange's Top-40 Index ending the day down 1.53% at 51,835 points, while the broader all-share index fell 1.49% to 57,976 points. The biggest losers of the day were platinum producers, which suffered as a steep surge in the price of palladium fell back. "It's all been riding on the back of that palladium price... it's a very sentiment-driven market and people are probably thinking that that bubble has burst," Greg Davies, trader at Cratos Capital, said, adding the markets were likely nervous and people were trying to take profits while they could. Anglo American Platinum was down 9.3%, Impala Platinum fell 8.8% and Northam Platinum dropped 8.5%. Other peers followed close behind.

In fixed income, the yield on the benchmark 2026 bond was down a single basis point at 8.14%.

Source: Thomson Reuters

**It's not what happens to you,
but how you react to it that
matters.**

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Market Overview

MARKET INDICATORS (Bloomberg)				22 January 2020	
Money Market TB's		Last Close	Change	Prev Close	Current Spot
3 months	↑	7.624	0.059	7.565	7.624
6 months	↑	7.618	0.046	7.572	7.618
9 months	↓	7.785	-0.032	7.817	7.785
12 months	↑	7.848	0.012	7.836	7.848
Nominal Bonds		Last Close	Change	Prev Close	Current Spot
GC20 (BMK: R207)	↓	7.410	-0.075	7.485	7.394
GC21 (BMK: R2023)	↓	7.851	-0.041	7.892	7.849
GC22 (BMK: R2023)	↓	7.935	-0.021	7.956	7.934
GC23 (BMK: R2023)	↓	8.166	-0.036	8.202	8.167
GC24 (BMK: R186)	↓	8.756	-0.012	8.768	8.755
GC25 (BMK: R186)	↓	8.797	-0.011	8.808	8.797
GC27 (BMK: R186)	↓	9.088	-0.031	9.119	9.089
GC30 (BMK: R2030)	↓	9.699	-0.024	9.723	9.699
GC32 (BMK: R213)	↓	10.381	-0.001	10.382	10.381
GC35 (BMK: R209)	↓	10.750	-0.043	10.793	10.751
GC37 (BMK: R2037)	↓	11.087	-0.016	11.103	11.087
GC40 (BMK: R214)	↓	11.257	-0.036	11.293	11.256
GC43 (BMK: R2044)	↓	11.671	-0.043	11.714	11.671
GC45 (BMK: R2044)	↓	11.800	-0.037	11.837	11.800
GC50 (BMK: R2048)	↓	11.937	-0.033	11.970	11.938
Inflation-Linked Bonds		Last Close	Change	Prev Close	Current Spot
GI22 (BMK: NCPI)	↓	4.366	-0.003	4.369	4.367
GI25 (BMK: NCPI)	↓	4.619	-0.001	4.620	4.620
GI29 (BMK: NCPI)	↑	5.708	0.001	5.707	5.708
GI33 (BMK: NCPI)	⇒	6.254	0.000	6.254	6.255
GI36 (BMK: NCPI)	↓	6.455	-0.001	6.456	6.455
Commodities		Last Close	Change	Prev Close	Current Spot
Gold	↓	1,558.17	-0.17%	1,560.77	1,552.58
Platinum	↓	1000.93	-1.87%	1020.03	1004.23
Brent Crude	↓	64.59	-0.94%	65.20	64.31
Main Indices		Last Close	Change	Prev Close	Current Spot
NSX Overall Index	↓	591.08	-0.84%	596.11	591.08
JSE All Share	↓	57,976.39	-1.49%	58,850.41	57,976.39
S&P 500	↓	3,320.79	-0.27%	3,329.62	3,320.79
FTSE 100	↓	7,610.70	-0.53%	7,651.44	7,610.70
Hangseng	↑	28,291.46	1.09%	27,985.33	28,291.46
DAX	↑	13,555.87	0.05%	13,548.94	13,555.87
JSE Sectors		Last Close	Change	Prev Close	Current Spot
Financials	⇒	15,326.43	0.00%	15,326.43	15,292.75
Resources	⇒	50,891.21	0.00%	50,891.21	49,623.93
Industrials	⇒	73,696.92	0.00%	73,696.92	72,639.17
Forex		Last Close	Change	Prev Close	Current Spot
N\$/US Dollar	↓	14.50	-0.07%	14.51	14.45
N\$/Pound	↑	18.92	0.32%	18.86	18.87
N\$/Euro	↓	16.08	-0.06%	16.09	16.01
US Dollar/ Euro	⇒	1.11	0.00%	1.11	1.11
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↑	2.59	2.46	3.60	3.70
Prime Rate	⇒	10.25	10.25	9.75	10.00
Central Bank Rate	⇒	6.50	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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