Market Update — Monday, 22 June 2020

Global Markets

U.S. stock futures erased losses and Asian stocks held flat on Monday, trying to shake off worries that rising coronavirus cases in the United States could scupper a quick economic rebound from the massive downturn triggered by the pandemic.

U.S. S&P 500 futures rose 0.4%, having erased early losses of 1.05% while Japan's Nikkei also eked out gains of 0.1%, similarly recovering from early losses. MSCI's broadest index of Asia-Pacific shares outside Japan was almost flat while mainland Chinese stocks ticked up 0.3% to 3-1/2-month highs.

After a brutal sell-off earlier this year, share prices had risen globally over the past three months, helped by massive stimulus around the world and hopes the worst of the pandemic was over. "The market is surprisingly resilient. Perhaps many investors think the uptrend is in place. But we need to keep an eye on rising coronavirus infections in some countries," said Hirokazu Kabeya, chief global strategist at Daiwa Securities.

Highlighting economic challenges from the impact of social restrictions to contain the pandemic, Apple Inc said on Friday it would temporarily shut 11 U.S. stores as coronavirus cases rise in some states, triggering selling in stocks. Data from Johns Hopkins University shows new U.S. cases on Saturday hit the highest since early May.

"The second wave is becoming a theme for markets. The increase in states such as Florida and South Carolina is big enough to be labelled as second wave," said Yoshinori Shigemi, global strategist at JPMorgan Asset Management. "Whether there will be a lockdown may vary depending on region. It will be a tough decision for politicians. But they probably have no other choice if they are running out of hospital beds," he said.

The pandemic is accelerating globally with the World Health Organization (WHO) reporting a record increase in global coronavirus cases on Sunday. "The market has been pricing in a rapid recovery so I doubt there are much upside gains to be made. We now need to see whether the earnings outlook will meet up with expectations," said Takuya Hozumi, investment strategist at Mitsubishi UFJ Morgan Stanley Securities. The world's shares are now traded at the most expensive levels since 2002 compared with projected earnings in the coming 12 months.

Investors are also wary of developments in Hong Kong after details of a new security law for the territory showed Beijing will have overarching powers on its enforcement. China's top legislative body, the National People's Congress Standing Committee, will meet on June 28, and the Global Times reported it would likely enact the Hong Kong security law by July 1. Hong Kong's Hang Seng fell 0.3% in early trade, underperforming regional markets.

In currencies, major currencies were mostly steady. The euro traded at $1.1187, near its lowest in nearly three weeks. The yen changed hands at 106.88 per dollar, not far from a one-month high of 106.58 to the dollar hit earlier this month.

Concerns about the pandemic sent gold 0.8% higher to $1,757.2 per ounce, near its May peak of $1,764.8, which was its strongest since October 2012. Oil prices firmed slightly on tighter supplies from major producers but concerns that a record rise in global coronavirus cases could curb a recovery in fuel demand checked gains. Brent crude rose 0.6% to $42.44 a barrel while U.S. crude was at $40.05 a barrel, up 0.6%.

Source: Thomson Reuters

Domestic Markets

South Africa's rand firmed against the U.S. dollar early on Friday, recovering from the previous session's tumble when global risk sentiment had been dented by fears of a second wave of coronavirus infections. The rand was trading up 0.6% at 17.3525 per dollar by 1545 GMT, having fallen more than 1% on Thursday.

South African-focused investors are awaiting a supplementary budget pencilled in for June 24, when Finance Minister Tito Mboweni is expected to unveil a major shake-up in spending and revenue forecasts for the recession-hit economy.

"It is going to be a massive task for Mboweni to juggle the country's costs and, therefore, it is certainly prudent to take some positioning off the table given the potential for disaster," Standard Bank chief trader Warrick Butler said in a note. "It is easy to put the risk back on once the dust has settled."

South Africa's economy was in bad shape before the COVID-19 pandemic struck. A strict nationwide lockdown from late March has since curtailed production across key sectors such as mining and retail, with the central bank predicting a 7% contraction in gross domestic product this year.

In fixed income, the yield on the long-dated government bond due in 2030 was down 1.5 basis points at 9.315%.

The Johannesburg Stock Exchange (JSE) ended the week slightly higher as optimism around reopening of economies soothed some worries over the continuing spread of the coronavirus. The benchmark all-share index was up 0.43% to end the trading week at 54,171 points and the top 40 companies index closed up 0.37% to 49,770 points.

A major boost to the market came from a rise in gold prices that gained 1.2% on the day and lifted JSE's gold index, which represents the top five gold mining companies in South Africa, almost 8%.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS			22-Jun-2020	5:46
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	8,959,805	122,847	467,424	4,335,587

Market Overview

MARKET INDICATORS (Thomson Reuters)					22 June 2020
Money Market TB's		**Last close**	**Difference**	**Prev close**	**Current Spot**
3 months	↓	4.45	-0.017	4.46	4.45
6 months	↓	4.72	-0.017	4.74	4.72
9 months	↓	4.85	-0.025	4.88	4.85
12 months	↓	4.93	-0.034	4.96	4.93
Nominal Bonds		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC21 (BMK: R208)	→	4.16	0.000	4.16	4.18
GC22 (BMK: R2023)	↑	5.97	0.015	5.96	5.97
GC23 (BMK: R2023)	↑	5.95	0.015	5.94	5.95
GC24 (BMK: R186)	↓	8.03	-0.085	8.12	8.03
GC25 (BMK: R186)	↓	8.08	-0.085	8.17	8.08
GC27 (BMK: R186)	↓	8.16	-0.085	8.25	8.16
GC30 (BMK: R2030)	↓	9.83	-0.105	9.94	9.83
GC32 (BMK: R213)	↓	10.54	-0.090	10.63	10.54
GC35 (BMK: R209)	↓	11.82	-0.155	11.98	11.82
GC37 (BMK: R2037)	↓	12.28	-0.155	12.44	12.28
GC40 (BMK: R214)	↓	12.70	-0.180	12.88	12.70
GC43 (BMK: R2044)	↓	13.16	-0.160	13.32	13.16
GC45 (BMK: R2044)	↓	13.33	-0.160	13.49	13.33
GC50 (BMK: R2048)	↓	13.37	-0.160	13.53	13.36
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	↑	1,743	1.17%	1,723	1,753
Platinum	↑	806	0.16%	804	815
Brent Crude	↑	42.2	1.64%	41.5	42.1
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	↑	1,065	0.90%	1,055	1,065
JSE All Share	↑	54,224	0.52%	53,941	54,224
SP500	↓	3,098	-0.56%	3,115	3,098
FTSE 100	↑	6,293	1.10%	6,224	6,293
Hangseng	↑	24,644	0.73%	24,465	24,565
DAX	↑	12,331	0.40%	12,282	12,331
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	↑	10,553	0.58%	10,492	10,553
Resources	↑	49,656	1.38%	48,978	49,656
Industrials	↓	75,183	-0.14%	75,291	75,183
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	↓	17.31	-0.80%	17.45	17.33
N$/Pound	↓	21.39	-1.33%	21.68	21.47
N$/Euro	↓	19.35	-1.04%	19.55	19.41
US dollar/ Euro	↓	1.118	-0.24%	1.120	1.120
		Namibia		**RSA**	
Economic data		**Latest**	**Previous**	**Latest**	**Previous**
Inflation	↑	2.1	1.6	4.1	4.6
Prime Rate	↓	7.75	8.00	7.25	7.75
Central Bank Rate	↓	4.00	4.25	3.75	4.25

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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