



Market Update

Thursday, 23 January 2020

Global Markets

Asian shares and U.S. stocks fell on Thursday as investors remained anxious about the spread of a new flu-like virus in China just as millions prepared to travel for the Lunar New Year.

Oil futures tumbled to seven-week lows as the contagion was expected to hit airline travel, while the International Energy Agency's warning of an oil surplus and a larger-than-expected increase in U.S. crude inventories re-kindled fears of excess supply.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.45%. Blue chip Chinese shares slumped 0.91%. Australian shares were down 0.57%, while Japan's Nikkei stock index slid 0.6%. The Chinese yuan fell toward a two-week low, while safe-havens such as the Japanese yen, gold, and U.S. Treasuries rose before a travel blockade of the Chinese city, Wuhan, at the centre of the outbreak starts later on Thursday.

Deaths in China from the new coronavirus rose to 17 on Wednesday, with nearly 600 cases confirmed. The outbreak has evoked memories of Severe Acute Respiratory Syndrome (SARS) in 2002-2003, another coronavirus which broke out in China and killed nearly 800 people in a global pandemic. "Markets are expressing concern about the growth outlook," said Michael McCarthy, chief market strategist at CMC Markets in Sydney. "The coronavirus has introduced some caution. There is no reason to expect a global pandemic now, but there is some repricing in financial markets."

U.S. stock futures fell 0.02% on Thursday in Asia. The S&P 500 eked out a 0.03% gain on Wednesday, but the overall tone on Wall Street was mixed as investors assessed the impact of the virus and braced for the corporate earnings season.

Cases have been detected in Beijing, Shanghai, Macau, Hong Kong, Japan, and the United States. Wuhan's local government said it would close all urban transport networks and suspend outgoing flights as of 10 a.m. on Thursday (0200 GMT). Citizens have been urged not to leave the city. However, there are fears the virus could spread rapidly, because millions of Chinese travel domestically and abroad during the week-long Lunar New Year holidays, which start on Friday.

Air China, China's flagship carrier, skidded 2.78% to the lowest in more than eight weeks. Shares of Australia's Qantas Airways Ltd fell 1.55%, while Japan Airlines Co dropped 1.4% and rival air carrier ANA Holdings Inc declined 1.17%.

In the onshore market, the yuan edged down 0.1% to 6.9160 per dollar, approaching the lowest since Jan. 10. The yen rose 0.2% to 109.64 versus the dollar, while the Swiss franc traded at 0.9679 against the greenback.

Gold, another asset that is often bought as a safe haven, rose 0.07% to \$1,559.17 per ounce. The yield on benchmark 10-year Treasury notes fell slightly to 1.7551% in Asia as some investors sought the safety of government debt. U.S. crude fell 1.69% to \$55.78 a barrel, briefly touching the lowest since Dec. 3. Brent crude slumped by 1.55% to \$62.26 per barrel to reach the lowest since Dec. 4. The American Petroleum Institute said U.S. crude inventories rose 1.6 million barrels last week, compared with analysts' expectations for 1 million-barrel draw.

Markets took Republican U.S. President Donald Trump's impeachment trial in stride, as he is widely expected to be acquitted in the Republican-controlled Senate. Democrats accused Trump at the start of his impeachment trial on Wednesday of a corrupt scheme to pressure Ukraine to help him get re-elected. Trump told reporters in Switzerland the Democrats did not have enough evidence to find him guilty and remove him from office.

Source: Thomson Reuters

Domestic Markets

South Africa's rand firmed more than 1% on Wednesday, helped by a recovery in demand for riskier assets, while Dutch-based technology group Prosus led stocks lower. At 1542 GMT, the rand traded at 14.3310 versus the dollar, 1.17% stronger than its previous close.

"The appreciation in the rand appears to be mostly driven by external factors, specifically the pull back of the U.S. dollar as well as a bit of risk-off trade falling. So recovery of risk sentiment and a weak dollar," said Kieran Siney a Financial Markets analyst at ETM Analytics.

Swift updates from China about the spread of a new flu-like coronavirus raised hopes the outbreak would be contained. The outbreak tested risk appetite on Tuesday, although most analysts point to recent losses as being temporary even as investors grapple with its potential implications for the global economy.

Locally, consumer price inflation (CPI) quickened to 4.0% year-on-year in December, from 3.6% in November, data from Statistics South Africa showed. The figure was in line with a Reuters poll.

"CPI is expected to rise back over the midpoint of the target range over the next few months, making further interest rate easing psychologically more difficult, although still possible given subdued economic activity," economists at Nedbank Group Economic Unit said in a note.

Benign inflation readings allowed the South African Reserve Bank (SARB) to cut its main lending rate by 25 basis points last week to 6.25%, the first cut since July last year.

Government bonds were also a shade stronger, with the yield on the benchmark 2026 bond down 0.5 basis points to 8.135%.

Stocks closed lower, with the Johannesburg Stock Exchange's Top-40 Index ending down 0.05% at 51,808 points, while the broader all-share index fell 0.1% to 57,918 points.

Prosus led the decliners on the Top-40 index, down 3.36% after Naspers, which is the majority shareholder in the Dutch-based technology group, said it sold around 1.5 billion euros (\$1.7 billion) worth of shares in order to buy back its own stock.

Source: Thomson Reuters



Market Overview

| MARKET INDICATORS (Bloomberg) | | | | 23 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) | ↓ | 7.389 | -0.021 | 7.410 | 7.380 |
| GC21 (BMK: R2023) | ↓ | 7.835 | -0.016 | 7.851 | 7.836 |
| GC22 (BMK: R2023) | ↓ | 7.924 | -0.011 | 7.935 | 7.923 |
| GC23 (BMK: R2023) | ↓ | 8.156 | -0.010 | 8.166 | 8.156 |
| GC24 (BMK: R186) | ↓ | 8.752 | -0.004 | 8.756 | 8.752 |
| GC25 (BMK: R186) | ↓ | 8.795 | -0.002 | 8.797 | 8.795 |
| GC27 (BMK: R186) | ↓ | 9.087 | -0.001 | 9.088 | 9.087 |
| GC30 (BMK: R2030) | ↓ | 9.690 | -0.009 | 9.699 | 9.690 |
| GC32 (BMK: R213) | ↓ | 10.377 | -0.004 | 10.381 | 10.377 |
| GC35 (BMK: R209) | ↑ | 10.769 | 0.019 | 10.750 | 10.769 |
| GC37 (BMK: R2037) | ↑ | 11.091 | 0.004 | 11.087 | 11.091 |
| GC40 (BMK: R214) | ↑ | 11.273 | 0.016 | 11.257 | 11.273 |
| GC43 (BMK: R2044) | ↓ | 11.670 | -0.001 | 11.671 | 11.670 |
| GC45 (BMK: R2044) | ↑ | 11.801 | 0.001 | 11.800 | 11.801 |
| GC50 (BMK: R2048) | ↑ | 11.939 | 0.002 | 11.937 | 11.939 |
| Inflation-Linked Bonds | | Last Close | Change | Prev Close | Current Spot |
| GI22 (BMK: NCPI) | ↓ | 4.365 | -0.001 | 4.366 | 4.366 |
| GI25 (BMK: NCPI) | ↑ | 4.620 | 0.001 | 4.619 | 4.620 |
| GI29 (BMK: NCPI) | → | 5.708 | 0.000 | 5.708 | 5.708 |
| GI33 (BMK: NCPI) | ↑ | 6.255 | 0.001 | 6.254 | 6.255 |
| GI36 (BMK: NCPI) | ↓ | 6.454 | -0.001 | 6.455 | 6.455 |
| Commodities | | Last Close | Change | Prev Close | Current Spot |
| Gold | ↑ | 1,558.78 | 0.04% | 1,558.17 | 1,557.00 |
| Platinum | ↑ | 1015.23 | 1.43% | 1000.92 | 1005.73 |
| Brent Crude | ↓ | 63.21 | -2.14% | 64.59 | 62.21 |
| Main Indices | | Last Close | Change | Prev Close | Current Spot |
| NSX Overall Index | ↓ | 589.93 | -0.19% | 591.08 | 589.93 |
| JSE All Share | ↓ | 57,918.89 | -0.10% | 57,976.39 | 57,918.89 |
| S&P 500 | ↑ | 3,321.75 | 0.03% | 3,320.79 | 3,321.75 |
| FTSE 100 | ↓ | 7,571.92 | -0.51% | 7,610.70 | 7,571.92 |
| Hangseng | ↓ | 27,764.81 | -2.03% | 28,341.04 | 27,764.81 |
| DAX | ↓ | 13,515.75 | -0.30% | 13,555.87 | 13,515.75 |
| JSE Sectors | | Last Close | Change | Prev Close | Current Spot |
| Financials | → | 15,292.75 | 0.00% | 15,292.75 | 15,273.99 |
| Resources | → | 49,623.93 | 0.00% | 49,623.93 | 49,662.34 |
| Industrials | → | 72,639.17 | 0.00% | 72,639.17 | 72,566.90 |
| Forex | | Last Close | Change | Prev Close | Current Spot |
| N\$/US Dollar | ↓ | 14.33 | -1.17% | 14.50 | 14.36 |
| N\$/Pound | ↓ | 18.83 | -0.48% | 18.92 | 18.85 |
| N\$/Euro | ↓ | 15.89 | -1.18% | 16.08 | 15.92 |
| US Dollar/ Euro | → | 1.11 | 0.00% | 1.11 | 1.11 |
| | | Namibia | | RSA | |
| Economic data | | Latest | Previous | Latest | Previous |
| Inflation | ↑ | 2.59 | 2.46 | 4.00 | 3.60 |
| 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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