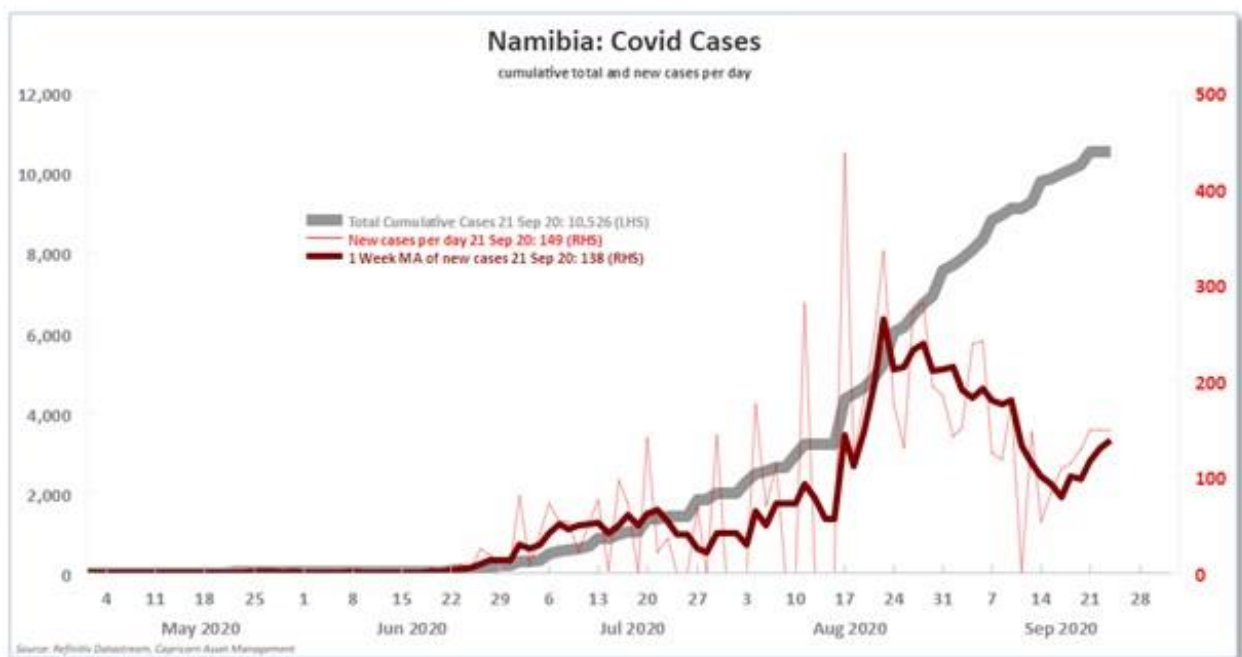




Market Update

Wednesday, 23 September 2020



Global Markets

Asia's stock markets struggled to emulate Wall Street's rebound on Wednesday as persistent worries about the global economic recovery kept investors cautious, while ebbing inflation expectations helped the U.S. dollar to a two-month high.

MSCI's broadest index of Asia-Pacific shares outside Japan was steady after two days of declines, but the mood was hardly bullish. Japan's Nikkei returned from a two-day holiday to drop 0.6%. Markets in Shanghai and Hong Kong opened flat, the ASX 200 rose 1.6% and South Korea's Kospi fell 0.8% on a jump in coronavirus infections. "I think that reflects a lingering caution. The pandemic is still a concern...non-tech stocks are still weighed down by COVID-19," said Bank of Singapore analyst Moh Siong Sim.

Foreign exchange markets best reflected those worries and a strong dollar kept Asia's currencies on the back foot, extending gains that had begun with hawkish remarks from a senior U.S. Federal Reserve official overnight. The greenback has busted out of a downtrend that started in March and it rose 0.2% against a basket of currencies to its highest since late July. It gained by the same margin

against the euro and yen and a little further against the Aussie to hit a six-week peak. The kiwi flickered higher after the central bank left rates on hold, as expected, but pressure soon returned.

"There looks to be a squeeze on dollar shorts," said Westpac FX analyst Sean Callow, with jitters in the equity markets, a stalling euro and no new stimulus from the U.S. Federal Reserve to keep it under pressure. Chicago Fed President Charles Evans, due to become a voter on the Federal Open Market Committee in 2021, said overnight the Fed still needed to discuss its new inflation approach but it "could start raising rates before we start averaging 2%." That crimped inflation expectations, lifted U.S. real yields and set the dollar rising.

The drop and partial recovery of U.S. stocks this week has lacked an immediate trigger though geopolitics, economics and virus news has given investors plenty to worry about. China-U.S. tensions are simmering, Britain has re-imposed some curbs on restaurants to try and head off a second wave of coronavirus infections and the U.S. election campaign seems to be distracting Congress from passing further aid bills.

Wall Street's Tuesday rebound was led by a 1.7% gain in the Nasdaq as a broker upgrade lifted Amazon.com by nearly 6%. The Dow and S&P 500 made more muted gains of 0.5% and 1% respectively. Futures trade suggests there is not much conviction behind the bounce, with S&P 500 futures wobbling either side of flat in Asia and Nasdaq 100 futures down 0.5%. "Care must be taken not to unthinkingly characterise this equity bounce back as 'risk on'. It is not," said Vishnu Varathan, head of economics at Mizuho Bank in Singapore. "At best it is a mixed bag. More likely it was technical buying of dips."

U.S. President Donald Trump told the United Nations General Assembly on Tuesday that China must be held accountable for having "unleashed" COVID-19, prompting Beijing to accuse him of "lies" and abusing the U.N. platform to provoke confrontation. Another flashpoint, the TikTok deal, is also flaring, with state-backed newspaper China Daily on Wednesday calling the Oracle and Walmart agreement to take stakes in the app "dirty and unfair" and cast doubt on whether it would win Beijing's support.

In commodity markets, oil prices slipped after a surprise rise in U.S. crude inventories. Brent futures were last down 0.9% at \$41.34 a barrel and U.S. crude futures were down 1% at \$39.41 a barrel. Gold, which has dropped with the rising dollar, was steady at \$1,900 an ounce.

Domestic Markets

South Africa's rand recovered some losses on Tuesday as the tide of risk aversion that saw the currency plunge in the previous session ebbed, while stocks continued their losing streak.

At 1615 GMT the rand was 0.21% firmer at 16.7450 per dollar, after tumbling more than 3% on Monday, the most among emerging market currencies, as the threat of new pandemic-related lockdowns in the United Kingdom and other countries in Europe prompted concerns about the global recovery.

"The recent price fluctuations within the USD/ZAR pair shows how sensitive the ZAR has been along with other emerging market currencies are to global risk sentiment," Warren Venketas, analyst at IG, said in a note. "If the continued ZAR strength ensues, the 16.5500 support zone becomes of interest. Today has already seen a test of this support area. Any break below could result in the 16.5000 horizontal level being the next area of support. A lot is dependent on global risk appetite."

Bonds weakened with the yield on benchmark 2030 government paper up 10 basis points to 9.415%.

The Johannesburg Stock Exchange (JSE) continued its losing streak, its sixth day in a row, with both the benchmark and the blue-chip indices hovering around three-month lows. The FTSE/JSE all share index was down 0.1% on Tuesday to end the day at 53,265 points while the FTSE/JSE top 40 companies index closed down 0.05% to end at 49,126 points. The fall was largely led by mining companies, though banks, often said to be well capitalised, bucked the trend with the banking index rising 1.06%.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		23-Sep-2020		6:31
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	31,439,889	141,086	966,510	21,721,513

They say it is better to be poor and happy than rich and miserable, but how about a compromise like moderately rich and just moody?

Princess Diana

Market Overview

MARKET INDICATORS (Thomson Reuters)		23 September 2020			
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↓	3.88	-0.009	3.89	3.88
6 months	↔	3.97	0.000	3.97	3.97
9 months	↑	4.01	0.008	4.00	4.01
12 months	↑	4.02	0.025	4.00	4.02
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	↑	4.15	0.040	4.11	4.11
GC22 (Coupon 8.75%, BMK R2023)	↓	5.26	-0.025	5.29	5.26
GC23 (Coupon 8.85%, BMK R2023)	↓	5.16	-0.025	5.19	5.16
GC24 (Coupon 10.50%, BMK R186)	↑	7.59	0.015	7.57	7.59
GC25 (Coupon 8.50%, BMK R186)	↑	7.60	0.015	7.58	7.60
GC26 (Coupon 8.50%, BMK R186)	↑	7.60	0.015	7.58	7.60
GC27 (Coupon 8.00%, BMK R186)	↑	7.89	0.015	7.87	7.89
GC30 (Coupon 8.00%, BMK R2030)	↑	9.72	0.100	9.62	9.73
GC32 (Coupon 9.00%, BMK R213)	↑	10.82	0.080	10.74	10.82
GC35 (Coupon 9.50%, BMK R209)	↑	11.91	0.090	11.82	11.92
GC37 (Coupon 9.50%, BMK R2037)	↑	12.55	0.075	12.47	12.56
GC40 (Coupon 9.80%, BMK R214)	↑	13.11	0.115	12.99	13.12
GC43 (Coupon 10.00%, BMK R2044)	↑	13.66	0.120	13.54	13.67
GC45 (Coupon 9.85%, BMK R2044)	↑	13.94	0.120	13.82	13.95
GC50 (Coupon 10.25%, BMK: R2048)	↑	14.00	0.095	13.90	14.01
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	↔	4.49	0.000	4.49	4.49
GI25 (Coupon 3.80%, BMK NCPI)	↔	4.49	0.000	4.49	4.49
GI29 (Coupon 4.50%, BMK NCPI)	↔	5.98	0.000	5.98	5.98
GI33 (Coupon 4.50%, BMK NCPI)	↔	6.82	0.000	6.82	6.82
GI36 (Coupon 4.80%, BMK NCPI)	↔	7.15	0.000	7.15	7.15
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,899	-0.69%	1,913	1,887
Platinum	↓	867	-1.65%	881	869
Brent Crude	↑	41.7	0.68%	41.4	41.4
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,044	-0.68%	1,051	1,044
JSE All Share	↓	53,265	-0.10%	53,319	53,265
SP500	↑	3,316	1.05%	3,281	3,316
FTSE 100	↑	5,829	0.43%	5,804	5,829
Hangseng	↓	23,717	-0.98%	23,951	23,756
DAX	↑	12,594	0.41%	12,542	12,594
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	9,570	0.53%	9,519	9,570
Resources	↓	52,935	-1.85%	53,932	52,935
Industrials	↑	71,887	1.23%	71,015	71,887
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	16.79	0.10%	16.78	16.80
N\$/Pound	↓	21.38	-0.56%	21.50	21.37
N\$/Euro	↓	19.66	-0.45%	19.74	19.62
US dollar/ Euro	↓	1.171	-0.54%	1.177	1.168
		Namibia		RSA	
Interest Rates & Inflation		Latest	Previous	Latest	Previous
Central Bank Rate	↓	3.75	4.00	3.50	3.75
Prime Rate	↓	7.50	7.75	7.00	7.25
		Aug 20	Jul 20	Jul 20	Jun 20
Inflation	↑	2.4	2.1	3.2	2.2

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



Bank Windhoek

For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na

Disclaimer

The information contained in this note is the property of Capricorn Asset Management (CAM). The information contained herein has been obtained from sources which and persons whom the writer believe to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute the writer's judgement as of the date of this material and are subject to change without notice. This note is provided for informational purposes only and may not be reproduced in any way without the explicit permission of CAM.

A member of  **Capricorn Group**
