



Market Update

Wednesday, 26 February 2020

Global Markets

Asian shares fell on Wednesday as a U.S. warning to Americans to prepare for the possibility of a coronavirus pandemic drove another Wall Street tumble and pushed yields on safe-haven Treasuries to record lows.

The S&P 500 and the Dow Jones Industrial Average both shed more than 3% on Tuesday in their fourth straight session of losses. That led MSCI's broadest index of Asia-Pacific shares outside Japan down 1.28%. Japan was among the worst-performing markets in the region, weighed by growing concerns the virus could cancel the Tokyo Olympics.

Yields on 10-year and 30-year U.S. Treasuries teetered near record lows and gold rose as worries about the economic impact of the virus outbreak boosted safe-haven assets. The World Health Organization says the epidemic has peaked in China, but concern that its spread is accelerating in other countries is likely to keep investors on edge. "What we are seeing is share markets are playing catch up," said Michael McCarthy, chief market strategist at CMC Markets in Sydney. "Other asset markets have been flashing warning signs for weeks. A corrective bounce in equities is possible, but we still have a lot of downward momentum."

Chinese shares fell 1.3%. Shares in South Korea, which has been rattled by a sudden rise in virus infections, briefly hit a two-month low. While the stock rout has been global, the recent pace of selling in Asia has not been as severe as it has on Wall Street, which has been hit hard by the escalation of virus cases outside of Asia. The S&P 500 lost \$2.14 trillion in market capitalization over the last four sessions, according to S&P Dow Jones Indices analyst Howard Silverblatt. U.S. stock futures rose 0.2% in Asia on Wednesday, but that did little to brighten the mood.

Adding to recent fears was an alert from the U.S. Centers for Disease Control and Prevention on Tuesday warning Americans to prepare for the spread of coronavirus in the United States, signalling a change in tone for the Atlanta-based U.S. health agency. The virus has claimed almost 3,000 lives in mainland China but has spread to dozens of other countries. Of increasing concern to investors, however, is the rising death toll in other countries.

Drastic travel restrictions slammed the brakes on China's manufacturing and consumer spending, and there are worries other countries will face similar disruptions. The virus has also hit Japan's stocks hard on rising worries it could lead to cancellation of the 2020 Summer Olympics scheduled to start in Tokyo in July. Japan's Nikkei stock index slid 1.1%, while shares of Japan's Dentsu Group Inc,

an advertising agency deeply involved in the planning and operation of the games, fell to a seven-year low on Wednesday. Shares of sportswear makers and other companies related to the Olympics have also fallen recently.

The yield on benchmark 10-year Treasury notes traded at 1.3421% on Wednesday in Asia, close to a record low of 1.3070%. The 30-year yield stood at 1.8142%, above a record low of 1.7860%. The decline in yields weighed on the dollar. The greenback was last quoted at 110.25 yen, continuing a pullback from a 10-month high of 112.23 yen. The dollar traded at \$1.0872 per euro, off an almost three-year high of \$1.0778 reached on Feb. 20.

Spot gold rose 0.53% to \$1,643.75 per ounce as investors sought safe havens. Oil prices recovered some recent losses in Asia, but there are lingering concerns that expected output cuts by major oil producers will not be enough to offset a decline in global energy demand caused by the virus. U.S. crude ticked up 0.96% to \$50.38 a barrel. Brent crude rose 0.78% to \$55.38 per barrel. The Organization of the Petroleum Exporting Countries (OPEC) and allies including Russia, a group known as OPEC+, have been sending signals that they will cut output further. However, oil could come under more pressure as weekly U.S. supply reports due later on Wednesday are expected to show a rise in inventories, according to a Reuters poll.

Source: Thomson Reuters

Domestic Markets

The South African rand weakened on Tuesday, reflecting nervousness before a budget speech this week and global worries about the spread of coronavirus.

The rand was down 0.3% at 15.2100 per dollar by 1630 GMT, extending losses from Monday and mirroring falls in other emerging market currencies as the virus outbreak gathered pace beyond China.

At home, traders were nervous that a bleak fiscal picture in Wednesday's budget speech by Finance Minister Tito Mboweni could trigger a downgrade to "junk" of South Africa's credit rating by Moody's, the last agency to rate the country investment grade.

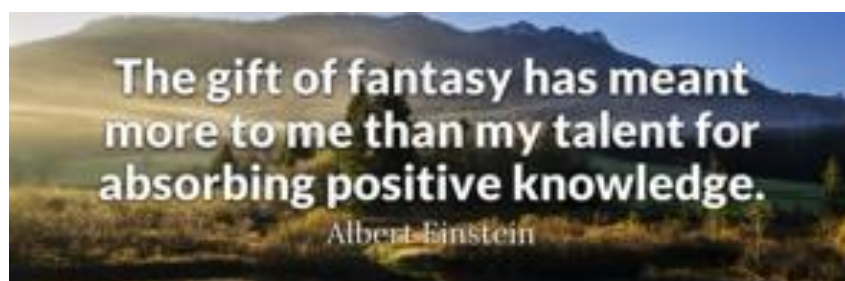
"South Africa's idiosyncratic risks have weighed heavily on investor sentiment," ETM Analytics economists wrote, saying the risks included growth-sapping power cuts, an unsustainable debt trajectory and a lack of political will to implement reforms.

A Reuters poll last week predicted Mboweni would present an updated budget deficit forecast of 6.2% of gross domestic product for the current fiscal year, up from 5.9% in October.

Local stocks failed to recover ground on Tuesday, a day after touching a two-month low. The Johannesburg Stock Exchange's Top-40 Index ended the day less than 0.1% higher at 49,303 points, while the All-Share Index was down 0.1% to 54,809 points.

Bonds were little changed, with the yield on the benchmark 2026 Government Issue up 0.5 basis points to 7.865%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Wednesday, 26 February 2020			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	→	7.26	0.000	7.26	7.26
6 months	→	7.51	0.000	7.51	7.51
9 months	↑	7.58	0.008	7.57	7.58
12 months	→	7.63	0.000	7.63	7.63
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	↓	7.15	-0.009	7.16	7.12
GC21 (BMK: R2023)	→	7.30	0.000	7.30	7.27
GC22 (BMK: R2023)	↓	7.46	-0.015	7.48	7.49
GC23 (BMK: R2023)	↓	7.91	-0.015	7.93	7.94
GC24 (BMK: R186)	↓	8.47	-0.035	8.50	8.51
GC25 (BMK: R186)	↓	8.43	-0.035	8.46	8.47
GC27 (BMK: R186)	↓	8.87	-0.035	8.90	8.91
GC30 (BMK: R2030)	↓	9.80	-0.035	9.84	9.84
GC32 (BMK: R213)	↓	10.38	-0.035	10.41	10.41
GC35 (BMK: R209)	↓	10.98	-0.020	11.00	11.03
GC37 (BMK: R2037)	↓	11.11	-0.025	11.13	11.15
GC40 (BMK: R214)	↓	11.41	-0.020	11.43	11.46
GC43 (BMK: R2044)	↓	11.73	-0.015	11.74	11.78
GC45 (BMK: R2044)	↓	11.97	-0.015	11.98	12.02
GC50 (BMK: R2048)	→	12.01	0.000	12.01	12.06
Inflation-Linked Bonds		Last close	Difference	Prev close	Current Spot
GI22 (BMK: NCPI)	→	4.40	0.000	4.40	4.40
GI25 (BMK: NCPI)	→	4.60	0.000	4.60	4.60
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	↓	1,635	-1.53%	1,660	1,644
Platinum	↓	926	-3.89%	963	933
Brent Crude	↓	55.0	-2.40%	56.3	54.8
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,208	0.01%	1,207	1,208
JSE All Share	↓	54,810	-0.13%	54,882	54,810
SP500	↓	3,128	-3.03%	3,226	3,128
FTSE 100	↓	7,018	-1.94%	7,157	7,018
Hangseng	↑	26,893	0.27%	26,821	26,667
DAX	↓	12,790	-1.88%	13,035	12,790
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	14,039	-1.08%	14,192	14,039
Resources	↓	46,982	-0.27%	47,110	46,982
Industrials	↑	70,330	0.63%	69,887	70,330
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	15.21	0.45%	15.14	15.24
N\$/Pound	↑	19.78	1.03%	19.57	19.79
N\$/Euro	↑	16.54	0.70%	16.43	16.56
US dollar/ Euro	↑	1.088	0.25%	1.085	1.087
Economic data		Namibia		RSA	
		Latest	Previous	Latest	Previous
Inflation	↓	2.1	2.6	4.0	3.6
Prime Rate	↓	10.25	10.50	9.75	10.00
Central Bank Rate	↓	6.25	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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