



Market Update

Friday, 26 June 2020

Global Markets

Asian stock markets ground higher on Friday, but are set to end a choppy week with only slight gains as surging coronavirus infections cast a shadow over encouraging economic data and checked hopes for a swift global recovery.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.5%, for a weekly gain of around 0.7%. Japan's Nikkei rose 1.3% to sit 0.4% higher for the week. Bulls seem to have the upper hand in currency markets, with the U.S. dollar down 0.3% for the week, and riskier currencies such as the Australian dollar marginally ahead. U.S. stock futures were 0.1% higher in afternoon trade in Asia, while European futures pointed to small Thursday gains extending. German DAX futures, Britain's FTSE futures and EuroSTOXX 50 futures all rose about 1%.

"We're stuck in a bit of a range," said Shane Oliver, chief economist at AMP Capital in Sydney. "There's a degree of optimism that any second wave will be offset by stimulus ... but if we have to go back to a renewed lockdown then it's a different story, and markets face a lot more downside risk." The moves followed a bumpy session on Wall Street, which finished in positive territory after a late surge led by banking stocks. Still, volumes were light and plenty of headwinds remain.

The governor of Texas paused the state's reopening as COVID-19 infections and hospitalizations surged and the United States set a new record for a one-day increase in cases. Localised restrictions to slow the virus have now been re-imposed in parts of Lisbon in Portugal, western Germany, Australia's Victoria state and Beijing. Australia's biggest grocer also reinstated buying limits on toilet paper after another rush in stores.

The U.S. Senate also passed legislation that would impose mandatory sanctions on people or companies that back efforts by China to restrict Hong Kong's autonomy, yet another potential Sino-U.S. flashpoint. To become law it must also pass the House and be signed by President Donald Trump. Support for pro-democracy protests in Hong Kong has slipped, but retains backing of a slim majority, a survey conducted for Reuters showed. Hong Kong's Hang Seng index was down 0.6% in on Friday, after being closed for a holiday on Thursday. Markets in China and Taiwan remain closed.

The U.S. Treasury market was quiet, with the yield on benchmark 10-year Treasuries steady at 0.6807%. Gold held steady at \$1,759.81 an ounce. The tug of war between bulls and bears this week has sent the S&P 500 ahead by as far 1.8% and down by as much as 2.4% on the week, with Thursday's gains leaving it flat.

Foreign exchange markets have likewise stalled, as the virus' progress dents confidence in bets on further gains in hard-running riskier currencies. "Having risen for three straight months, some payback may be due for stocks and currencies in July," strategists at Singapore's DBS Bank said in a note on Friday. "We would avoid currencies – Indonesian rupiah, Australian dollar and New Zealand dollar – that appreciated most in June and Q2." Moves in majors were small on Friday, with the Aussie steady at \$0.6889, up 0.8% for the week, and the kiwi edging ahead to \$0.6444, for a 0.6% weekly gain. The Aussie has rallied 25% from March lows and the kiwi 18%.

After a mixed bag of U.S. data overnight, markets are looking for reassurance from European confidence surveys and U.S. spending data due later on Friday. Oil prices, a barometer of energy consumption and so the global growth outlook, edged ahead to hold steady for the week. U.S. crude futures were last up 1.3% or 49 cents to \$39.21 per barrel and Brent futures rose 1.4% to \$41.62 per barrel.

Source: Thomson Reuters

Domestic Markets

South Africa's rand recovered in afternoon trade on Thursday after sliding earlier following a budget speech that forecast ballooning debt and a higher government deficit.

At 1520 GMT, the rand was 0.7% firmer at 17.2560 per dollar, after hitting a session low of 17.5325 earlier.

Finance Minister Tito Mboweni said on Wednesday the main budget deficit would widen to a record 14.6% of gross domestic product in 2020/21, while public debt would top 80% as the country has borrowed more to plug revenue holes caused by the COVID-19 pandemic.

The downbeat numbers were largely expected by markets, and in some respects were not as bad as others had forecast. "The budget surprised the market positively relative to its rather dire expectations," RMB analyst Nema Ramkhelawan-Bhana said in a note.

"While the revenue shortfall was worse than consensus, the Special Adjustment Budget at least renders the estimate as credible, and the expenditure overrun was lower than anticipated."

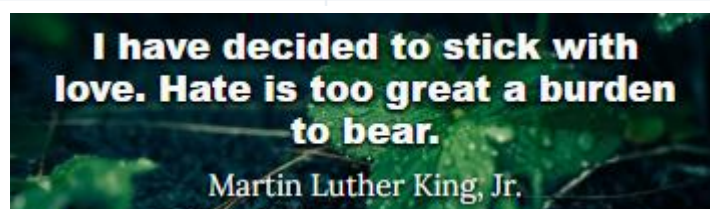
The Johannesburg Stock Exchange slipped following a fall in most emerging market shares as a sharp rise in coronavirus infections took a toll on hopes of a rebound in economies. The benchmark JSE all-share index declined 0.98% to end the day at 53,914 points, and the top 40 companies index lost 0.92% to close at 49,732 points.

In fixed income, the yield on the 2030 government issue was down 3 basis point to 9.17%.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES		26-Jun-2020		5:16
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	9,620,077	176,614	488,467	4,815,333



Market Overview

MARKET INDICATORS (Thomson Reuters)					26 June 2020
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	➡	4.44	0.000	4.44	4.44
6 months	⬇	4.65	-0.017	4.67	4.65
9 months	⬇	4.75	-0.025	4.78	4.75
12 months	⬇	4.80	-0.042	4.84	4.80
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	⬇	4.10	-0.030	4.13	4.16
GC22 (BMK: R2023)	⬇	5.89	-0.040	5.93	5.86
GC23 (BMK: R2023)	⬇	5.87	-0.040	5.91	5.84
GC24 (BMK: R186)	⬆	7.96	0.010	7.95	7.96
GC25 (BMK: R186)	⬆	8.01	0.010	8.00	8.01
GC27 (BMK: R186)	⬆	8.09	0.010	8.08	8.09
GC30 (BMK: R2030)	⬇	9.78	-0.010	9.79	9.78
GC32 (BMK: R213)	⬇	10.51	-0.025	10.53	10.51
GC35 (BMK: R209)	⬇	11.77	-0.040	11.81	11.75
GC37 (BMK: R2037)	⬇	12.26	-0.040	12.30	12.24
GC40 (BMK: R214)	⬇	12.62	-0.060	12.68	12.62
GC43 (BMK: R2044)	⬇	13.16	-0.080	13.24	13.16
GC45 (BMK: R2044)	⬇	13.33	-0.080	13.41	13.33
GC50 (BMK: R2048)	⬇	13.34	-0.060	13.40	13.34
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	⬆	1,761	0.00%	1,761	1,759
Platinum	⬆	804	0.46%	800	800
Brent Crude	⬆	41.1	1.84%	40.3	41.6
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬇	1,053	-0.04%	1,054	1,053
JSE All Share	⬇	53,914	-0.98%	54,448	53,914
SP500	⬆	3,084	1.10%	3,050	3,084
FTSE 100	⬆	6,147	0.38%	6,124	6,147
Hangseng	➡	24,782	0.00%	24,782	24,610
DAX	⬆	12,178	0.69%	12,094	12,178
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬆	10,173	0.48%	10,124	10,173
Resources	⬇	50,486	-0.37%	50,675	50,486
Industrials	⬇	74,731	-1.82%	76,118	74,731
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬇	17.14	-1.26%	17.35	17.16
N\$/Pound	⬇	21.27	-1.28%	21.55	21.31
N\$/Euro	⬇	19.22	-1.56%	19.52	19.24
US dollar/ Euro	⬇	1.122	-0.29%	1.125	1.122
		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



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**
