Market Update — Thursday, 26 March 2020

Global Markets

Asian stock markets made a cautious start on Thursday following two days of rallies, as investors await the passage and details of a $2 trillion stimulus package in the United States to combat the economic fallout from the coronavirus. Senate leaders hope to vote on the plan later on Wednesday in Washington, but it still faces criticism. The bill includes a $500 billion fund to help hard-hit industries and a comparable amount for payments up to $3,000 to millions of U.S. families. It cannot come soon enough, with potentially enormous weekly U.S. initial jobless claims to appear in data due at 1230 GMT.

Australia's S&P/ASX 200 index rose 1.5% in early trade - its third positive start in as many sessions, but also its most muted. Japan's Nikkei fell 2.2%. Hong Kong futures were 1% higher and China A50 futures were up 0.2%. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.3%. "There has been so much stimulus thrown at this," said Jun Bei Liu, portfolio manager at Tribeca Investment Partners in Sydney. "But the positivity related to it is really just sentiment," she said, adding that investors were largely flying blind with so many companies withdrawing earnings guidance. Jobless figures may offer a "reality check," she said.

In perhaps an early sign of the fragile mood, the risk-sensitive Australian dollar dropped 1% and the safe-haven Japanese yen rose in morning trade. U.S. stock futures rose 1%, following the first back-to-back session rises on Wall Street in over a month. The Dow Jones Industrial Average rose 2.4% and the S&P 500 1.2%, while the Nasdaq Composite dropped half a percent following a Nikkei report that Apple was weighing a delay in the launch of its 5G iPhone.

The money at stake in the stimulus bill amounts to nearly half of the $4.7 trillion the U.S. government spends annually. But it also comes against a backdrop of bad news as the coronavirus spreads and as jobless claims are set to soar, with both expected to test the nascent bounce in markets this week. California Governor Gavin Newsom told reporters on Wednesday that a million Californians had already applied for jobless benefits this month - a number that knocked stocks from session highs and has analysts bracing for worse to come. RBC Capital Markets economists had expected a national figure over 1 million in Thursday's data, but say "it is now poised to be many multiples of that," as reduced hours across the country drive deep layoffs. "Something in the 5-10 million range for initial jobless claims is quite likely," they wrote in a note.

That compares to a 695,000 peak in 1982. Forecasts in a Reuters poll range from a minimum of 250,000 initial claims, all the way up to 4 million.

Trepidation seemed to put a halt on the U.S. dollar's recent softness in currency markets, with the dollar ahead 1% against the Antipodean currencies and up 0.6% against the pound. It slipped 0.3% to 110.85 yen.

U.S. crude slipped 1.5% to $24.11 per barrel and gold steadied at $1,608.14 per ounce.

Source: Thomson Reuters

Domestic Markets

South Africa's central bank on Wednesday launched a bond-buying programme, seeking to drum up demand in credit markets as the coronavirus epidemic weighs on the country's already ailing economy. The Reserve Bank (SARB) has long resisted public and political pressure to intervene more directly in providing stimulus. Wednesday's move brings it into line with major central banks across the developed world that have run large-scale asset purchase programmes.

South Africa's economy will come under increasing pressure as it enters a 21-day national lockdown from Thursday, ordered by President Cyril Ramaphosa in response to the spread of COVID-19, of which more than 700 confirmed cases have been registered, but as yet no deaths. The country's bond market has been short of buyers since February, while daily sales of sovereign debt have regularly topped 4 billion rand ($230 million), including a record 12.8 billion rand on March 2.

The bank said it would buy bonds of varying maturities in the secondary market, without giving further details. The move should boost the take-up of government debt and make it easier for commercial banks to fund their operations. Duma Gquble, an independent economist, said it amounted to quantitative easing, "something we've called for for a long time." "We're headed to an era where the separation of fiscal and monetary policy doesn't make sense anymore," he said.

South African banks and financial firms have in recent weeks seen a sharp increase in redemptions of short-term funds, as well as higher margin calls, while primary dealers - who buy government securities to sell on the secondary market - have struggled for buyers. "The bond market had dried up completely, there were no buyers in sight, just sellers," said FNB portfolio manager Wayne McCurrie.

The bank delivered a surprise 100 basis point cut to its main lending rate on Thursday to help the economy, and said it stood poised to cut further if market volatility continued. Adrian Saville, head of Canon Assets, said that was on the cards in coming weeks. "We've got a lot of room to cut, about 5% of ammunition," he said. "We're looking at a budget deficit in 10% territory after this passes. But in the meantime the SARB has latitude to be far more aggressive, even leaning into the world of helicopter money and giving every South African "x" amount for the next three months." In its statement on Wednesday, the bank also said it would offer repurchase agreements, or repos, for between seven days and 12 months

South African assets recovered on Wednesday after the central bank launched a bond-buying programme, seeking to drum up demand in credit markets as the coronavirus epidemic weighs on the country's already ailing economy. At 1400 GMT the rand was 0.4% firmer at 17.4800 per dollar, pulling back for a session best of 17.2600 hit soon after the South African Reserve Bank's (SARB) announcement that it would purchase government bonds for an unlimited period.

The bank has long resisted public and political pressure to intervene more directly in providing stimulus. Wednesday's move brings it into line with major central banks across the developed world running large-scale asset purchase programmes. Bond markets in particular were buoyed by the announcement having suffered three sessions of heavy selling that pushed yields up to record highs.

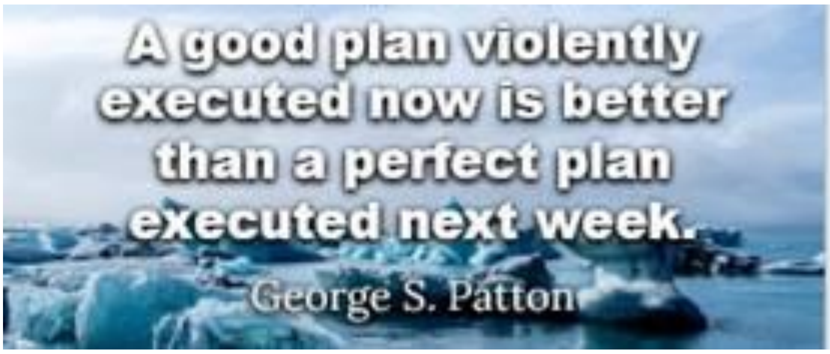
At 1400 GMT the yield on the benchmark 2026 issue was down 70.5 basis points to 10.515%. "The reduction in SA's bond yields reflect some improvement in prices, but a full retracement in government bond yields to pre-crisis levels has not occurred yet," Investec chief economist Annabel Bishop said in a note. "The drop in yields today reflects some reduction in market uncertainty however."

Indications that the United States was poised to pull the trigger in $2 trillion stimulus package also aided riskier assets, as the potential flood of cheap money prompted investors who had liquidated holding to buy dollars to reconsider.

South Africa's growing coronavirus infections, which reached 709 - from just over 500 a day earlier - as the country prepared for a lockdown starting midnight on Thursday, looked set to drag the economy deeper into recession.

Stocks firmed, backed by the return of risk appetite, with the Johannesburg Stock Exchange's Top-40 index as well as the broader All-Share index both up 4.7%, led higher for a second straight day by resources and financial firms. Minister of Mines and Energy Gwede Mantashe said on Wednesday that the processing of platinum group metals (PGMs) would continue during a 21-day national lockdown over coronavirus starting at midnight on Thursday. South Africa is a leading producer of platinum, palladium, coal and gold, and the mining sector accounts for around 13% of the country's GDP. Platinum producers Northam and Impala and Anglo American Platinum led the charge, rising 21%, 17% and 24% respectively.

Source: Thomson Reuters



Corona Tracker

GLOBAL CASES SOURCE - WORLD HEALTH ORGANIZATION			As of 25-Mar-2020	
	Cases		Deaths	
	Confirmed	New	Confirmed	New
Total	414,179	40,712	18,440	2,202
FATHOM - CHART OF THE DAY ▸				CASE TRACKER ▸

Market Overview

MARKET INDICATORS (Thomson Reuters)					Thursday, 26 March 2020
Money Market TB's		**Last close**	**Difference**	**Prev close**	**Current Spot**
3 months	↓	6.17	-0.238	6.41	6.17
6 months	↓	6.59	-0.040	6.63	6.59
9 months	↑	6.63	0.010	6.62	6.63
12 months	↓	6.70	-0.060	6.76	6.70
Nominal Bonds		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC20 (BMK: R207)	↓	6.86	-0.025	6.89	6.86
GC21 (BMK: R208)	↓	6.55	-0.075	6.62	6.59
GC22 (BMK: R2023)	↓	7.72	-0.270	7.99	7.72
GC23 (BMK: R2023)	↓	8.58	-0.270	8.85	8.58
GC24 (BMK: R186)	↓	10.87	-0.605	11.47	10.87
GC25 (BMK: R186)	↓	11.05	-0.605	11.65	11.05
GC27 (BMK: R186)	↓	11.62	-0.605	12.22	11.62
GC30 (BMK: R2030)	↓	12.20	-0.660	12.86	12.20
GC32 (BMK: R213)	↓	13.00	-0.680	13.68	13.00
GC35 (BMK: R209)	↓	13.20	-0.865	14.06	13.20
GC37 (BMK: R2037)	↓	13.34	-0.800	14.14	13.34
GC40 (BMK: R214)	↓	13.51	-0.850	14.36	13.51
GC43 (BMK: R2044)	↓	13.88	-0.855	14.73	13.88
GC45 (BMK: R2044)	↓	14.02	-0.855	14.87	14.02
GC50 (BMK: R2048)	↓	14.32	-0.855	15.18	14.32
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	↑	1,613	0.20%	1,610	1,604
Platinum	↑	738	4.23%	708	726
Brent Crude	↑	27.4	0.88%	27.2	27.3
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	↑	867	6.20%	816	867
JSE All Share	→	41,149	0.00%	41,149	43,278
SP500	↑	2,476	1.15%	2,447	2,476
FTSE 100	↑	5,688	4.45%	5,446	5,688
Hangseng	↑	23,527	3.81%	22,663	23,384
DAX	↑	9,874	1.79%	9,701	9,874
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	→	8,750	0.00%	8,750	9,299
Resources	→	33,069	0.00%	33,069	35,695
Industrials	→	60,236	0.00%	60,236	62,202
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	↓	17.32	-1.59%	17.60	17.35
N$/Pound	↓	20.57	-0.57%	20.69	20.59
N$/Euro	↓	18.84	-0.74%	18.99	18.94
US dollar/ Euro	↑	1.088	0.86%	1.079	1.092
		Namibia		**RSA**	
Economic data		**Latest**	**Previous**	**Latest**	**Previous**
Inflation	↑	2.5	2.1	4.6	4.5
Prime Rate	↓	9.00	10.00	8.75	9.75
Central Bank Rate	↓	5.25	6.25	5.25	6.25

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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