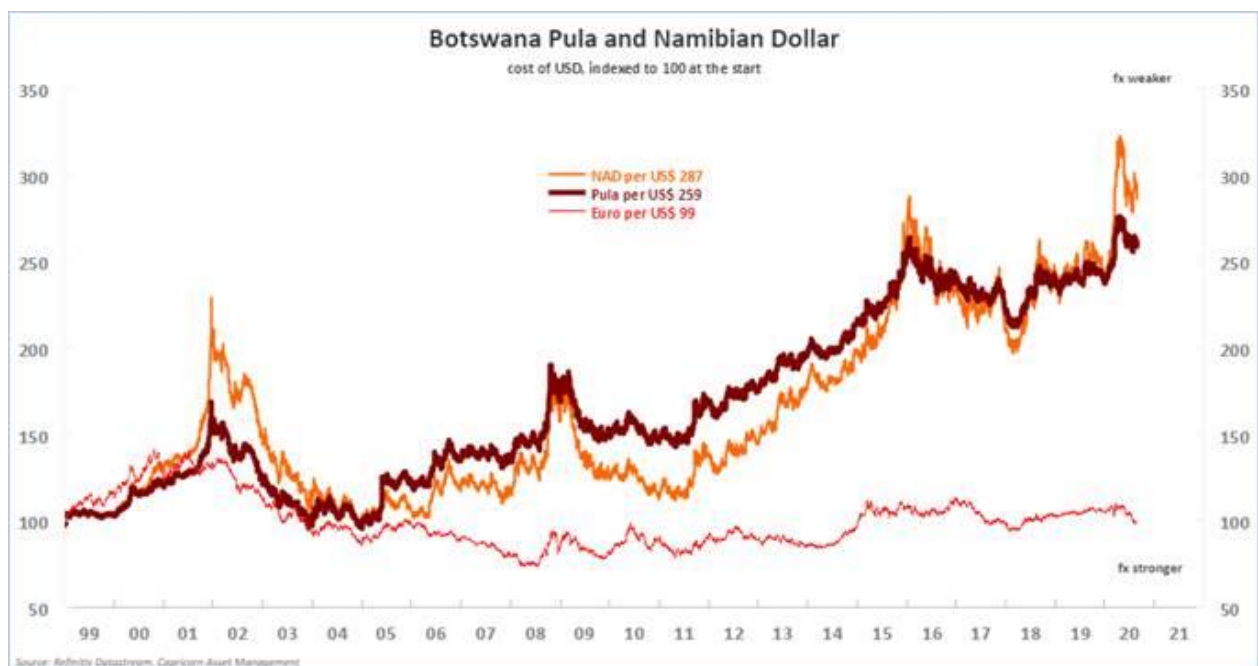




Market Update

Thursday, 27 August 2020



Global Markets

Asian shares touched two-year peaks on Thursday in the wake of Wall Street's record run as cheap cash drove up big-cap tech darlings, although Sino-U.S. tensions caused caution to creep in as the session progressed.

MSCI's broadest index of Asia-Pacific shares outside Japan had edged up 0.1% after earlier reaching its highest since August 2018. Japan's Nikkei eased 0.4% from levels not seen since mid-February, while South Korea fell 0.8% as a jump in coronavirus cases ended four days of rises. Even S&P 500 futures dipped 0.2%, although that followed five straight sessions of gains. Both EUROSTOXX 50 futures and FTSE futures were little changed.

Asian investors turned more circumspect because of the military face-off in the South China Sea, as Washington blacklisted 24 Chinese companies while Beijing reportedly test fired missiles into the area on Wednesday. Yet markets globally are still focused on the endless liquidity being pumped out by central banks. Federal Reserve Chair Jerome Powell is expected to outline a more flexible approach to policy on Thursday including a shift to targeting an average inflation rate around 2% that will allow rates to stay super-low for longer.

"So with U.S.-China tensions seemingly not a major concern, the deluge of fiscal and monetary support remains the overriding tail wind for risk assets with large cap the beneficiaries," said Rodrigo Catril, a senior FX strategist at NAB. The Dow ended Wednesday up 0.3%, while the S&P 500 climbed 1.02% and the Nasdaq 1.73%. Gains were again concentrated in the tech majors with Netflix Inc surging 11.6% and Facebook Inc 8.2%.

The liquid largesse from central banks has kept sovereign bonds well supported even as stocks reach new highs. Yields on 10-year Treasuries have steadied at 0.68%, after finding solid bids around 0.73%. At the same time, the prospect of even more easing from the Fed has kept the dollar on the defensive. Against a basket of currencies, it was stuck at 92.916 on Thursday and uncomfortably close to the recent two-year trough of 92.124. The euro held at \$1.1832 and near its recent top of \$1.1965, while the dollar backed off to 105.96 yen from a high of 106.57 earlier in the week. The dollar has also been steadily trending lower on the Chinese yuan to reach depths not seen since mid-January at 6.8809 yuan.

In commodity markets, gold eased back to \$1,943 an ounce and remains short of its August peak of \$2,072. Oil prices were underpinned as U.S. producers shut output in the Gulf of Mexico ahead of Hurricane Laura. The storm may be the most powerful to crash into Louisiana and is headed directly for the major oil refining town of Port Arthur, Texas. Brent crude futures edged up 11 cents to \$45.75 a barrel.

Domestic Markets

South Africa's rand weakened on Wednesday after data showed consumer price inflation rose in July but not by enough to dampen expectations of further monetary policy easing.

At 1500 GMT, the rand traded at 16.9075 versus the U.S. dollar, 0.45% weaker than its previous close.

South Africa's headline consumer price inflation quickened to 3.2% year-on-year in July from 2.2% in June. Market expectations were for a 3.1% rise, well within the central bank's target of 3-6%.

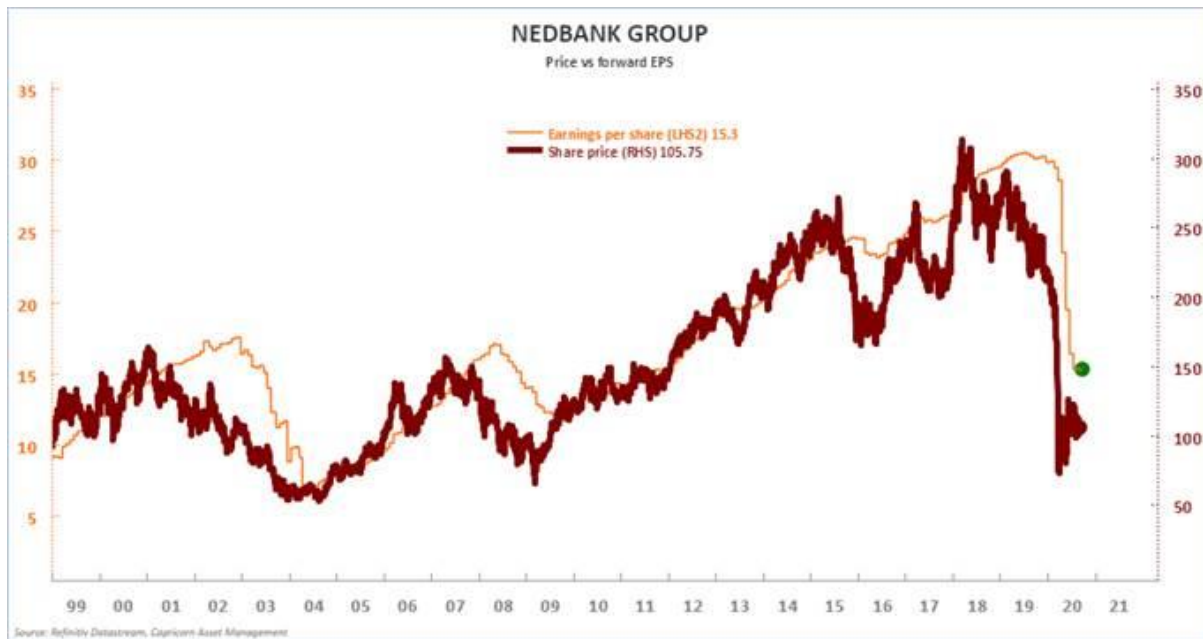
"We think that the headline rate will hover around 3% in the coming months," said Virág Fórizs, Africa Economist at Capital Economics. "While policymakers sounded less dovish at their July meeting, if we're right on the inflation outlook and the economic recovery being weaker than the Reserve Bank currently expects, further easing seems likely."

Demand for the rand and domestic bonds this year has largely been supported by the elevated yield on offer due to high interest rates compared to developed markets. Lower rates would diminish the currency's carry-trade appeal.

South Africa's central bank has cut interest rates by 300 basis points since the start of the year in response to fading price pressures and a weak economic outlook because of the COVID-19 pandemic. The repo rate now stands at 3.5%.

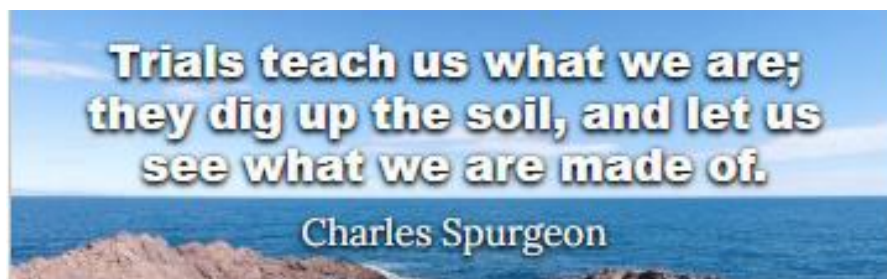
Stocks rose in line with global markets which benefited from improved risk sentiment about U.S.-China trade and expectations of ample central bank stimulus before a key speech by the U.S. Federal Reserve chairman. The Johannesburg Stock Exchange's Top-40 index closed 0.94% higher at 52,257 points and the All-share index gained 0.84% to 56,572 points. However, Nedbank fell 5.68% to 105.75 rand after reporting a 69.5% drop in half-year profits.

Government bonds weakened, with the yield on the 2030 paper 3.5 basis points higher at 9.325%. **Source: Thomson Reuters**



Corona Tracker

GLOBAL CASES SOURCE - REUTERS		27-Aug-2020		5:46
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	24,182,171	261,403	824,514	15,785,617



Market Overview

MARKET INDICATORS (Thomson Reuters)				27 August 2020	
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	→	3.96	0.000	3.96	3.96
6 months	→	4.07	0.000	4.07	4.07
9 months	→	4.13	0.000	4.13	4.13
12 months	→	4.15	0.000	4.15	4.15
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	→	4.05	0.000	4.05	4.05
GC22 (BMK: R2023)	↑	5.23	0.120	5.11	5.16
GC23 (BMK: R2023)	↑	5.20	0.120	5.08	5.13
GC24 (BMK: R186)	↑	7.72	0.035	7.69	7.71
GC25 (BMK: R186)	↑	7.73	0.035	7.70	7.72
GC26 (BMK: R186)	↑	7.77	0.035	7.74	7.76
GC27 (BMK: R186)	↑	8.02	0.035	7.99	8.01
GC30 (BMK: R2030)	↑	9.63	0.035	9.59	9.61
GC32 (BMK: R213)	↑	10.42	0.030	10.39	10.42
GC35 (BMK: R209)	↑	11.79	0.025	11.77	11.79
GC37 (BMK: R2037)	↑	12.38	0.010	12.37	12.38
GC40 (BMK: R214)	↑	12.99	0.025	12.96	12.96
GC43 (BMK: R2044)	↑	13.30	0.030	13.27	13.29
GC45 (BMK: R2044)	↑	13.85	0.030	13.82	13.84
GC50 (BMK: R2048)	↑	13.95	0.035	13.91	13.93
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	0.005	5.98	5.98
GI33 (BMK: NCPI)	↑	6.82	0.120	6.70	6.82
GI36 (BMK: NCPI)	↑	7.15	0.160	6.99	7.15
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,953	1.32%	1,928	1,937
Platinum	↑	929	0.20%	927	927
Brent Crude	↓	45.6	-0.48%	45.9	45.8
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,086	-0.70%	1,093	1,086
JSE All Share	↑	56,572	0.82%	56,114	56,572
SP500	↑	3,479	1.02%	3,444	3,479
FTSE 100	↑	6,046	0.14%	6,037	6,046
Hangseng	↑	25,492	0.02%	25,486	25,268
DAX	↑	13,190	0.98%	13,062	13,190
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	10,290	-1.55%	10,452	10,290
Resources	↑	55,861	1.25%	55,168	55,861
Industrials	↑	76,428	1.37%	75,396	76,428
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	16.87	0.20%	16.84	16.93
N\$/Pound	↑	22.28	0.64%	22.14	22.35
N\$/Euro	↑	19.95	0.17%	19.92	20.02
US dollar/ Euro	↓	1.183	-0.03%	1.183	1.183
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	→	2.1	2.1	3.2	2.2
Prime Rate	↓	7.50	8.00	7.00	7.25
Central Bank Rate	↓	3.75	4.00	3.50	3.75

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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