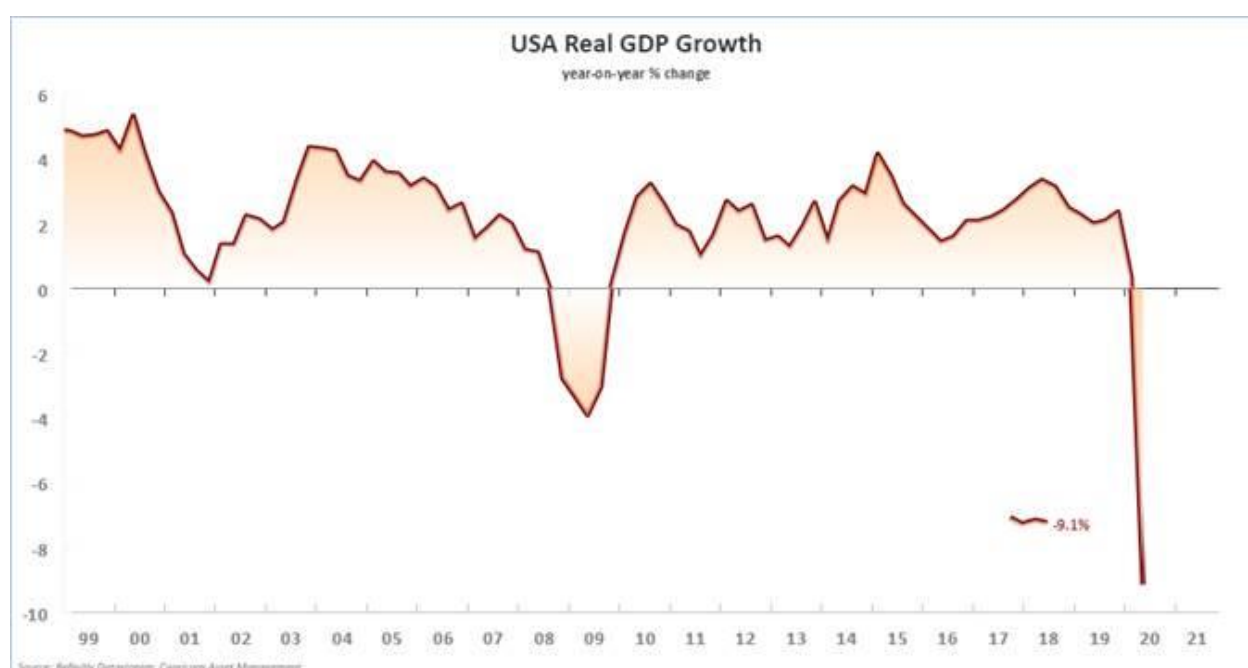




Market Update

Friday, 28 August 2020



Global Markets

Longer-dated Treasury yields and the dollar rose in Asia on Friday after the U.S. Federal Reserve shifted its policy framework to place more emphasis on boosting economic growth and less on worries about letting inflation run too high.

The 10-year U.S. Treasury yield rose to 0.7870%, the highest since June 10, which caused the yield curve to steepen, reflecting the Fed's tolerance for higher inflation. The dollar hit a two-week high against the yen but held steady against most other major currencies.

MSCI's broadest index of Asia-Pacific shares outside Japan bounced between gains and losses in choppy trade. U.S. stock futures rose 0.25%. Australian stocks fell 0.85%. Shares in China rose 0.33%, while Tokyo stocks gained 0.16%. Oil futures fell due to easing concern about the impact of a hurricane that struck the centre of the U.S. oil industry.

Markets swirled after Fed Chairman Jerome Powell laid out a policy that aims for 2% inflation on average so that too low a pace would be followed by an effort to lift inflation "moderately above 2% for some time." Powell's comments were widely expected, but some traders in Asia were

disappointed that the Fed did not reveal more details about how the new framework will work or provide any clues to what it will do at its next policy meeting.

"Average inflation had been talked up quite a bit, so we knew this was coming," said Yukio Ishizuki, foreign exchange strategist at Daiwa Securities in Tokyo. "But Powell really didn't reveal much beyond that. Some people who were expecting a clearer steer on policy or some kind of cap on bond yields are left disappointed." Dallas Fed President Robert Kaplan later said the new policy framework is not a commitment to future action, which contributed to confusion about how it will work, Daiwa's Ishizuki said.

On Wall Street, the Dow Jones Industrial Average rose 0.57%, the S&P 500 gained 0.17%, both setting new intraday highs. The Nasdaq Composite dropped 0.34%. Stocks also rose on news that Abbott Laboratories won U.S. marketing authorization for a COVID-19 portable antigen test that can deliver results in 15 minutes and will sell for \$5. Abbott's shares rose 7.9%.

The dollar rose against the yen but weakened slightly against the Australian dollar, the British pound and the yuan. Spot gold advanced 0.32% to \$1,935.07 as traders considered the Fed's new stance on inflation. U.S. crude futures slipped 0.1% to \$42.98 a barrel. Brent crude futures dipped to \$45.07 a barrel after U.S. refiners avoided the worst of a storm that struck the U.S. Gulf Coast.

Domestic Markets

South Africa's rand weakened on Thursday as the dollar gained after the Federal Reserve said it would roll out an aggressive new strategy that aims to lift U.S. employment and inflation.

At 1515 GMT, the rand traded at 17.0450 versus the dollar, 1.04% weaker than its previous close.

U.S. Federal Reserve Chairman Jerome Powell laid out a policy that will seek to achieve inflation averaging 2% over time and offset below -2% periods with higher inflation "for some time."

The rand's weakness also comes as the latest local consumer and producer inflation figures show an uptick in prices, but not by enough to dampen expectations of further monetary policy easing.

"If the Q2 GDP print comes in close to our estimation of an annualised contraction of nearly 55% q-o-q, the South African Reserve Bank could feel compelled to loosen policy further," Jacques Nel, an analyst at NKC African Economics said in a note. "However, that would be a symbolic cut with little impact on the country's overall growth prospects and runs the risk of putting further pressure on South African capital markets."

The South African Reserve Bank has already cut rates by 300 basis points this year in response to a collapse in inflation and weak economic projections linked to the COVID-19 pandemic.

The stock market was propelled by a raft of local results with the benchmark FTSE/JSE all share index closing up 0.53% to 56,870 points while the FTSE/JSE top 40 companies index ended 0.63% up to 52,584 points.

South African retailer Massmart shot up by over 12% on Thursday on positive management commentary while Blue Label Telecom Ltd, owner of service provider Cell C, jumped over 11% as market looked past its poor results. Mining major Sibanye Stillwater Ltd closed up over 3% as profits boosted its share price.

Government bonds were a touch weaker, with the yield on the 2030 bond rising by 0.5 basis points to 9.3%. **Source: Thomson Reuters**

Corona Tracker

GLOBAL CASES		28-Aug-2020		3:31
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	24,398,401	210,086	828,455	15,958,723



Market Overview

MARKET INDICATORS (Thomson Reuters)				28 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	↑	4.15	0.025	4.13	4.15
12 months	↑	4.17	0.025	4.15	4.17
Nominal Bonds					
		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↑	4.18	0.125	4.05	4.18
GC22 (BMK: R2023)	↑	5.25	0.015	5.23	5.27
GC23 (BMK: R2023)	↑	5.22	0.015	5.20	5.24
GC24 (BMK: R186)	→	7.72	0.000	7.72	7.74
GC25 (BMK: R186)	→	7.73	0.000	7.73	7.75
GC26 (BMK: R186)	→	7.77	0.000	7.77	7.79
GC27 (BMK: R186)	→	8.02	0.000	8.02	8.04
GC30 (BMK: R2030)	↓	9.60	-0.025	9.63	9.62
GC32 (BMK: R213)	↓	10.41	-0.005	10.42	10.43
GC35 (BMK: R209)	↓	11.76	-0.035	11.79	11.78
GC37 (BMK: R2037)	↓	12.34	-0.040	12.38	12.36
GC40 (BMK: R214)	↓	12.94	-0.045	12.99	12.96
GC43 (BMK: R2044)	↓	13.26	-0.040	13.30	13.28
GC45 (BMK: R2044)	↓	13.81	-0.040	13.85	13.83
GC50 (BMK: R2048)	↓	13.89	-0.055	13.95	13.91
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)	→	6.82	0.000	6.82	6.82
GI36 (BMK: NCPI)	→	7.15	0.000	7.15	7.15
Commodities					
		Last close	Change	Prev close	Current Spot
Gold	↓	1,929	-1.26%	1,953	1,942
Platinum	↓	929	-0.01%	929	931
Brent Crude	↓	45.1	-1.21%	45.6	45.1
Main Indices					
		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,083	-0.27%	1,086	1,083
JSE All Share	↑	56,870	0.53%	56,572	56,870
SP500	↑	3,485	0.17%	3,479	3,485
FTSE 100	↓	6,000	-0.75%	6,046	6,000
Hangseng	↓	25,281	-0.83%	25,492	25,522
DAX	↓	13,096	-0.71%	13,190	13,096
JSE Sectors					
		Last close	Change	Prev close	Current Spot
Financials	↑	10,352	0.60%	10,290	10,352
Resources	↓	55,717	-0.26%	55,861	55,717
Industrials	↑	77,441	1.33%	76,428	77,441
Forex					
		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	17.05	1.07%	16.87	16.95
N\$/Pound	↑	22.50	1.00%	22.28	22.48
N\$/Euro	↑	20.15	1.00%	19.95	20.12
US dollar/ Euro	↓	1.182	-0.07%	1.183	1.187
		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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