Market Update — Monday, 31 August 2020

Global Markets

Asian shares notched a 29-month high on Monday as investors wagered global central banks would keep topping up the policy punchbowl for years to come, while an upbeat reading on China's service sector augured well for recovery there.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.2% to reach its highest since March 2018, bringing gains for the month so far to 5.1%. Chinese blue chips firmed 0.7% to reach levels not seen since mid-2015, while the yuan hit its highest on the dollar in more than a year. Surveys showed Chinese manufacturing activity edged back a tick to 51.0 in July, but services jumping a full point to 55.2 in a hopeful sign of reviving consumer demand.

E-Mini futures for the S&P 500 climbed another 0.4%, while EUROSTOXX 50 futures added 0.8%. Tokyo's Nikkei rallied 1.6% aided by news Warren Buffett's Berkshire Hathaway had bought more than 5% stakes in each of the five leading Japanese trading companies. The Nikkei had dipped on Friday after Prime Minister Shinzo Abe's resignation stirred doubts about future fiscal and monetary stimulus policies. Those concerns were eased somewhat by news Chief Cabinet Secretary

Yoshihide Suga, and a close ally of Abe, would join the race to succeed his boss. A slimmed-down leadership contest is likely around Sept. 14.

Attention was now on a host of Federal Reserve officials that are set to speak this week, kicking off with Vice Chair Richard Clarida later Monday as they put more flesh on the bank's new policy framework. Fed Chair Jerome Powell boosted stock markets last week by committing to keep inflation at 2% on average, allowing prices to run hotter to balance periods when they undershot. The risk of higher inflation in the future, assuming the Fed can get it there, was enough to push up longer-term Treasury yields and sharply steepen the yield curve.

Yields on 30-year bonds jumped almost 16 basis points last week and were last at 1.52%, 139 basis points above the two-year yield. The spread was now approaching the June gap of 146 basis points which was the largest since late 2017.

That shift was of little benefit to the U.S. dollar given the prospect of short rates staying super-low for longer, and the currency fell broadly. Early Monday, the dollar index was off at 92.341 and just a whisker above the recent two-year low of 92.127. The euro stood at $1.1902, having climbed 0.9% last week.

Marshall Gittler, head of investment research at BDSwiss Group, noted speculators had already built up record levels of long positions in the euro which could work to limit further gains. "A truly crowded trade that will take more news to push higher," he argued. The dollar did steady a little on the yen at 105.60, after dropping 1.1% on Friday before finding support in the 105.10/20 zone.

In commodity markets, the weakness in the dollar helped underpin gold at $1,969 an ounce. Oil prices steadied, having dipped on Friday after Hurricane Laura passed the heart of the U.S. oil industry without causing any widespread damage. Brent crude futures rose 27 cents to $46.08 a barrel, while U.S. crude gained 14 cents to $43.11.

Domestic Markets

South Africa's rand surged against the dollar on Friday, as the U.S. currency fell heavily and global investors hunted for higher-yielding assets in emerging markets.

At 1500 GMT, the rand traded at 16.6350 per dollar, roughly 2.5% firmer than its close on Thursday.

Data this week pointed to a modest pickup in price pressures in Africa's most industrialised economy, adding to signs the central bank may bring a recent series of rate cuts to a close.

"The end of the rate-cutting cycle is also giving a boost to the rand, with the search for yield seeing carry traders dip their toes back into the local market," fund manager Anchor Capital said in a research note this week.

The rand's gains came despite data showing an $8 billion budget deficit in July, and research from a science council showing 2020 had seen the worst power cuts on record. The stretched state of public finances and electricity constraints are among the top concerns for investors.

South Africa's economy was already in recession before the COVID-19 pandemic, and official forecasts are now for a GDP contraction of at least 7% this year.

Johannesburg-listed stocks fell on Friday, with the Top-40 index losing 1.58% to 51,750 points and the All-Share index falling 1.43% to 56,057 points. Insurer Discovery was among the biggest losers, shedding more than 4% after saying the coronavirus crisis could erase its full-year profits entirely. Greg Davies, trader at Cratos Capital, said Discovery's decline reflected wider sentiment in the market. "I think with a lot of banks' results coming out over the past week people are starting to realise the economy is in deeper trouble than we first realised," he said. Also dragging the index down were lender Nedbank, retailer Woolworths and Naspers, which all lost 3% or more.

The yield on the 2030 government bond rose 2.5 basis points to 9.325%, reflecting weaker bond prices.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		30-Aug-2020		22:01
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	25,103,175	98,735	842,633	16,493,541

Knowledge comes, but wisdom lingers. It may not be difficult to store up in the mind a vast quantity of facts within a comparatively short time, but the ability to form judgments requires the severe discipline of hard work and the tempering heat of experience and maturity.

Calvin Coolidge

Market Overview

MARKET INDICATORS (Thomson Reuters)				31 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	0.008	4.07	4.07
9 months	4.16	0.008	4.15	4.16
12 months	4.20	0.025	4.17	4.20
Nominal Bonds	**Last close**	**Difference**	**Prev close**	**Current Spot**
GC21 (BMK: R208)	4.20	0.020	4.18	4.20
GC22 (BMK: R2023)	5.29	0.045	5.25	5.29
GC23 (BMK: R2023)	5.26	0.045	5.22	5.26
GC24 (BMK: R186)	7.74	0.015	7.72	7.74
GC25 (BMK: R186)	7.75	0.015	7.73	7.75
GC26 (BMK: R186)	7.79	0.015	7.77	7.79
GC27 (BMK: R186)	8.04	0.015	8.02	8.04
GC30 (BMK: R2030)	9.62	0.015	9.60	9.62
GC32 (BMK: R213)	10.43	0.020	10.41	10.43
GC35 (BMK: R209)	11.79	0.030	11.76	11.78
GC37 (BMK: R2037)	12.35	0.010	12.34	12.36
GC40 (BMK: R214)	12.95	0.005	12.94	12.95
GC43 (BMK: R2044)	13.27	0.010	13.26	13.28
GC45 (BMK: R2044)	13.82	0.010	13.81	13.83
GC50 (BMK: R2048)	13.90	0.005	13.89	13.90
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	1,964	1.84%	1,929	1,966
Platinum	931	0.24%	929	932
Brent Crude	45.1	-0.09%	45.1	46.0
Main Indices	**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	1,074	-0.85%	1,083	1,074
JSE All Share	56,057	-1.43%	56,870	56,057
SP500	3,508	0.67%	3,485	3,508
FTSE 100	5,964	-0.61%	6,000	5,964
Hangseng	25,422	0.56%	25,281	25,635
DAX	13,033	-0.48%	13,096	13,033
JSE Sectors	**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	10,115	-2.29%	10,352	10,115
Resources	55,723	0.01%	55,717	55,723
Industrials	75,433	-2.59%	77,441	75,433
Forex	**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	16.58	-2.74%	17.05	16.58
N$/Pound	22.14	-1.63%	22.50	22.12
N$/Euro	19.74	-2.06%	20.15	19.74
US dollar/ Euro	1.190	0.69%	1.182	1.190
	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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