



Market Update

Thursday, 01 October 2020



Global Markets

Global shares tried to extend gains on Thursday on renewed hopes for fresh U.S. stimulus measures, but mounting uncertainty ahead of America's presidential election and technical problems in Japan kept gains in check.

S&P500 futures rose 0.6% in Asia, extending Wall Street shares' rebound overnight after strong employment data and talk of progress on long-delayed COVID-19 relief legislation. MSCI's broadest index of Asia-Pacific shares outside Japan was up 0.3%, with Australian shares rising 1.4%.

But regional trade was thinned by system glitches at the Tokyo Stock Exchange (TSE) and holidays in Greater China and South Korea. Technical problems at the TSE prompted the suspension of all share trading in Japan. The TSE said trading would be halted all day and said it was not sure when it can recover its systems. Derivatives trading in Osaka was unaffected. Nikkei futures rose 0.5% in tandem with gains in U.S. futures.

On Wednesday, the S&P500 gained 0.83% and the Nasdaq Composite added 0.74%, even though they wrapped up September with their first monthly declines since March, when mandated

coronavirus shutdowns slammed the economy. A spate of economic data mostly surprised to the upside, with the ADP National Employment index blowing past analysts' expectations and pending home sales surging to an all-time high. "The U.S. data is surprisingly strong, so that underpins the market. But I don't expect a clear-cut trend in markets until we see the outcome of the U.S. election," said Hirokazu Kabeya, chief global strategist at Daiwa Securities.

Also helping to boost risk appetite, U.S. House of Representative Speaker Nancy Pelosi and Treasury Secretary Steven Mnuchin both expressed hope for a breakthrough in partisan stimulus negotiations. But many market participants remained cautious after Tuesday's chaotic presidential debate, which heightened fears that a disputed ballot on Nov. 3 could lead to a long and messy transfer of power. President Donald Trump and Democratic challenger Joe Biden talked over each other and traded insults as they sparred over the COVID-19 pandemic, healthcare and the economy.

"Global investors may be pulling back from the U.S. as the election approaches and the political dysfunction in Washington is laid bare," said Chris Zaccarelli, chief investment officer with Independent Advisor Alliance in Charlotte, North Carolina. "But they also need to take into consideration that a weaker U.S. economy could presage a weaker global economy, which may drive investors to safe-haven assets" later in 2020, he added.

In the currency market, the robust U.S. data and stimulus hopes helped to push down the U.S. dollar against riskier currencies. The euro rose 0.1% to \$1.1733 while the Australian dollar also ticked up 0.1% to \$0.7171. The offshore Chinese yuan gained 0.3% to 6.7635 per dollar, while the yen was little moved at 105.50 to the dollar.

In commodities, oil held firm, with U.S. crude futures flat at \$40.23 per barrel and Brent futures up 0.1% at \$40.22 a barrel.

Domestic Markets

South Africa's rand firmed more than one percent to its strongest level in over a week on Wednesday as the U.S. dollar was knocked back by an acrid presidential debate.

At 1500 GMT the rand was 1.65% firmer at 16.6800 per dollar, its best since last Tuesday. Most of the gains came as New York trade opened and investors digested the first debate between President Donald Trump and rival Joe Biden.

"The fallout during the presidential debate made markets all too aware that political risk, and instability, aren't off the table in developed markets," said Bianca Botes of Peregrine Treasury. Uncertainty over the outcome of the presidential election remained high after the chaotic encounter, dimming some of the recent demand for the safe-haven greenback.

Lower local price growth, which slowed to 3.1% year-on-year in August, and a wide trade surplus of \$2.3 billion, also helped demand for the rand following Tuesday's torrid unemployment figures showing 2 million jobs lost in the second quarter.

"The slight fall in South African inflation is likely to be followed by subdued inflation rates over the next few months. Even so, the SARB's easing cycle has now come to an end," said Virág Fórizs, Africa analyst at Capital Economics.

The Johannesburg Stock Exchange (JSE) closed in the red as it continued to retrace its steps back on the massive 2% gain it posted on Monday. Following a global market fall owing to the Trump-Biden debate, the FTSE/JSE all share index was down 0.44% at the closing bell to 54,267 points. The FTSE/JSE top 40 companies index was down 0.55% to 50,042 points.

At the close, the yield on the benchmark government bond due in 2030 was down 4 bps at 9.445%.

Source: Thomson Reuters

Corona Tracker

| GLOBAL CASES | | | | |
|------------------|-----------------|-----------|--------------|-----------------|
| SOURCE - REUTERS | | | | |
| | Confirmed Cases | New Cases | Total Deaths | Total Recovered |
| GLOBAL | 33,917,772 | 86,898 | 1,011,034 | 24,086,053 |

Government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it.

Ronald Reagan

Market Overview

| MARKET INDICATORS (Thomson Reuters) | | 01 October 2020 | | | |
|---------------------------------------|---|-------------------|-------------------|-------------------|---------------------|
| Money Market TB Rates % | | Last close | Difference | Prev close | Current Spot |
| 3 months | ↓ | 3.87 | -0.008 | 3.88 | 3.87 |
| 6 months | → | 3.97 | 0.000 | 3.97 | 3.97 |
| 9 months | ↓ | 3.99 | -0.008 | 4.00 | 3.99 |
| 12 months | ↓ | 3.97 | -0.025 | 4.00 | 3.97 |
| Nominal Bond Yields % | | Last close | Difference | Prev close | Current Spot |
| GC21 (Coupon 7.75%, BMK R208) | ↓ | 4.10 | -0.010 | 4.11 | 4.10 |
| GC22 (Coupon 8.75%, BMK R2023) | ↓ | 5.22 | -0.005 | 5.22 | 5.20 |
| GC23 (Coupon 8.85%, BMK R2023) | ↓ | 5.12 | -0.005 | 5.12 | 5.10 |
| GC24 (Coupon 10.50%, BMK R186) | ↓ | 7.53 | -0.030 | 7.56 | 7.53 |
| GC25 (Coupon 8.50%, BMK R186) | ↓ | 7.54 | -0.030 | 7.57 | 7.54 |
| GC26 (Coupon 8.50%, BMK R186) | ↓ | 7.54 | -0.030 | 7.57 | 7.54 |
| GC27 (Coupon 8.00%, BMK R186) | ↓ | 7.83 | -0.030 | 7.86 | 7.83 |
| GC30 (Coupon 8.00%, BMK R2030) | ↓ | 9.75 | -0.025 | 9.77 | 9.75 |
| GC32 (Coupon 9.00%, BMK R213) | ↓ | 10.88 | -0.035 | 10.92 | 10.88 |
| GC35 (Coupon 9.50%, BMK R209) | ↓ | 11.98 | -0.025 | 12.00 | 11.99 |
| GC37 (Coupon 9.50%, BMK R2037) | ↓ | 12.66 | -0.010 | 12.67 | 12.66 |
| GC40 (Coupon 9.80%, BMK R214) | ↓ | 13.15 | -0.015 | 13.17 | 13.16 |
| GC43 (Coupon 10.00%, BMK R2044) | ↓ | 13.67 | -0.025 | 13.70 | 13.68 |
| GC45 (Coupon 9.85%, BMK R2044) | ↓ | 13.95 | -0.025 | 13.98 | 13.96 |
| GC50 (Coupon 10.25%, BMK: R2048) | ↓ | 14.02 | -0.015 | 14.03 | 14.02 |
| Inflation-Linked Bond Yields % | | Last close | Difference | Prev close | Current Spot |
| GI22 (Coupon 3.55%, BMK NCPI) | → | 4.49 | 0.000 | 4.49 | 4.49 |
| GI25 (Coupon 3.80%, BMK NCPI) | → | 4.49 | 0.000 | 4.49 | 4.49 |
| GI29 (Coupon 4.50%, BMK NCPI) | ↓ | 5.91 | -0.010 | 5.92 | 5.91 |
| GI33 (Coupon 4.50%, BMK NCPI) | → | 6.82 | 0.000 | 6.82 | 6.82 |
| GI36 (Coupon 4.80%, BMK NCPI) | → | 7.09 | 0.000 | 7.09 | 7.09 |
| Commodities | | Last close | Change | Prev close | Current Spot |
| Gold | ↓ | 1,885 | -0.65% | 1,898 | 1,893 |
| Platinum | ↑ | 888 | 0.45% | 884 | 901 |
| Brent Crude | ↓ | 41.0 | -0.19% | 41.0 | 42.3 |
| Main Indices | | Last close | Change | Prev close | Current Spot |
| NSX Overall Index | ↑ | 1,079 | 0.42% | 1,075 | 1,079 |
| JSE All Share | ↓ | 54,265 | -0.44% | 54,507 | 54,265 |
| SP500 | ↑ | 3,363 | 0.83% | 3,335 | 3,363 |
| FTSE 100 | ↓ | 5,866 | -0.53% | 5,898 | 5,866 |
| Hangseng | ↑ | 23,459 | 0.79% | 23,276 | 23,459 |
| DAX | ↓ | 12,761 | -0.51% | 12,826 | 12,761 |
| JSE Sectors | | Last close | Change | Prev close | Current Spot |
| Financials | ↑ | 10,072 | 0.68% | 10,004 | 10,072 |
| Resources | ↓ | 53,383 | -1.24% | 54,054 | 53,383 |
| Industrials | ↓ | 73,187 | -0.23% | 73,358 | 73,187 |
| Forex | | Last close | Change | Prev close | Current Spot |
| N\$/US dollar | ↓ | 16.72 | -0.88% | 16.87 | 16.66 |
| N\$/Pound | ↓ | 21.60 | -0.44% | 21.70 | 21.55 |
| N\$/Euro | ↓ | 19.60 | -1.09% | 19.81 | 19.57 |
| US dollar/ Euro | ↓ | 1.172 | -0.20% | 1.174 | 1.174 |
| | | Namibia | | RSA | |
| Interest Rates & Inflation | | Latest | Previous | Latest | Previous |
| Central Bank Rate | ↓ | 3.75 | 4.00 | 3.50 | 3.75 |
| Prime Rate | ↓ | 7.50 | 7.75 | 7.00 | 7.25 |
| | | Aug 20 | Jul 20 | Aug 20 | Jul 20 |
| Inflation | ↑ | 2.4 | 2.1 | 3.1 | 3.2 |

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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