Market Update Friday, 06 March 2020

Global Markets

Asian shares and U.S. stock futures fell on Friday following another Wall Street rout as disruptions to global business from the coronavirus beyond China worsened, stoking fears of a prolonged world economic slowdown. MSCI's broadest index of Asia-Pacific shares outside Japan was down 1.3%. Australian shares were down 1.64%, while Japan's Nikkei stock index slid 2.29%.

Yields on 10-year U.S. Treasuries fell to a record low and two-year yields fell to the lowest in more than three years as investors increased bets that the Federal Reserve will follow this week's surprise 50 basis point rate cut with further easing to prevent corporate bond spreads from widening further. Tumbling yields hammered the dollar, which traded near a six-month low versus the yen and close to a two-year trough against the Swiss franc.

Oil prices fell due to worries that non-OPEC oil producers might not agree to output cuts even though global energy demand is weakening.

The spread of a new coronavirus has accelerated so much in Europe, Britain and North America that investors who once played down the virus are now re-assessing the risks, which means more volatility in financial markets. "Optimism overseas is fading and now people are really starting to question just how bad things will get," said Takuya Kanda, general manager of research at Gaitame.com Research Institute in Tokyo. "For some investors, Treasuries are the only place to park their money, but for others buying the dollar or stocks is out of the question."

U.S. stock futures erased early gains to trade down 0.12% in Asia on Friday. The S&P 500 tumbled 3.39% on Thursday. The benchmark S&P 500 ended down more than 10% from its Feb. 19 closing high, after last week logging its biggest weekly percentage decline since October 2008.

Officials and companies in Britain, France, Italy, and the United States are struggling to deal with a steady rise in coronavirus infections that have in some cases triggered corporate defaults, office evacuations, and panic buying of daily necessities. The flu-like virus emerged late last year in the central Chinese city of Wuhan and has since spread to more than 80 countries and has claimed more than 3,000 lives. New infections have slowed in China, but there are concerns other countries are not prepared.

Shares in China fell 0.96%, while stocks in Hong Kong, another city hard hit by the virus, fell 1.89%. Travel restrictions and factory closings aimed at curbing the spread of the virus are expected to put downward pressure on global economic growth.

Many investors await the release of U.S. non-farm payrolls later on Friday. Recent U.S. economic data has been encouraging, but concerns about the epidemic are likely to overshadow any signs of a strong labour market. The Federal Reserve and Bank of Canada both responded to the economic threats by cutting interest rates by 50 basis points this week.

The yield on benchmark 10-year Treasury notes fell to a record low of 0.8980% in Asia Friday. The two-year yield fell to 0.5420%, the lowest since July 2016. Minneapolis Federal Reserve President Neel Kashkari said late on Thursday the Fed could cut rates further if the impact of the coronavirus is worse than expected. Money markets were pricing in another 25 basis-point-cut from the current 1% to 1.25% range at the next Fed meeting on March 18-19 and a 50-basis-point cut by April.

Against the Japanese yen, the dollar fell to a six-month low and was last at 106.03 yen. The greenback also sank to a two-year trough of 0.9447 Swiss franc. Sterling traded near a one-week high versus the dollar. The euro held steady at $1.1225. Markets in the euro zone are pricing in a 93% chance that the European Central Bank will cut its deposit rate, now minus 0.50%, by 10 basis points next week.

U.S. crude fell 0.37% to $45.73 a barrel. Brent crude fell 0.32% to $49.83 per barrel. Worries about a decline in global demand caused by the coronavirus outbreak and uncertainty about production cuts hurt crude prices.

Source: Thomson Reuters

Domestic Markets

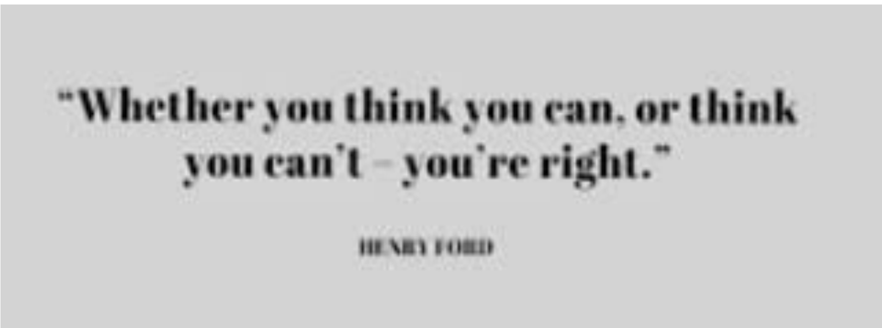
South Africa's rand weakened against the dollar on Thursday after the government confirmed the country's first case of coronavirus.

At 1500 GMT, the rand was 1.6% weaker at 15.5300 per dollar. "The rand has come under pressure as the first case of the COVID-19 coronavirus has been confirmed in South Africa," said Bianca Botes, Treasury Partner at Peregrine Treasury Solutions. "The markets are on edge, with many questioning the ability of government to deal with a breakout in South Africa efficiently." The confirmed case was a man who had visited Italy and the health minister warned the arrival of coronavirus would test the country's health system.

On the stock market, the Top-40 index was up 0.12% to 47,618 while the broader all-share was largely flat at 52,936.

Petrochemicals group Sasol, however, was the biggest decliner on the blue-chip index, falling nearly 9% as oil prices continued to drop with no end in sight to the spread of coronavirus globally. In fixed income, the yield on the 10-year 2030 Government Issue was down 1.5 basis points at 8.86%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS					06 March 2020
Money Market TB's		**Last Close**	**Change**	**Prev Close**	**Current Spot**
3 months	⇧	7.492	0.038	7.454	7.492
6 months	⇩	7.584	-0.066	7.65	7.584
9 months	⇩	7.582	-0.083	7.665	7.582
12 months	⇩	7.506	-0.092	7.598	7.506
Nominal Bonds		**Last Close**	**Change**	**Prev Close**	**Current Spot**
GC20 (BMK: R207)	⇩	6.939	-0.039	6.978	6.845
GC21 (BMK: R2023)	⇧	7.000	0.056	6.944	7.078
GC22 (BMK: R2023)	⇧	7.354	0.068	7.286	7.183
GC23 (BMK: R2023)	⇧	7.667	0.020	7.647	7.665
GC24 (BMK: R186)	⇧	8.567	0.071	8.496	8.523
GC25 (BMK: R186)	⇧	8.612	0.040	8.572	8.508
GC27 (BMK: R186)	⇧	9.094	0.040	9.054	9.074
GC30 (BMK: R2030)	⇩	9.976	-0.103	10.079	9.913
GC32 (BMK: R213)	⇨	10.793	0.000	10.793	10.777
GC35 (BMK: R209)	⇩	11.296	-0.078	11.374	11.295
GC37 (BMK: R2037)	⇧	11.418	0.024	11.394	11.409
GC40 (BMK: R214)	⇧	11.628	0.070	11.558	11.629
GC43 (BMK: R2044)	⇩	12.028	-0.072	12.100	12.033
GC45 (BMK: R2044)	⇧	12.167	0.035	12.132	12.143
GC50 (BMK: R2048)	⇧	12.222	0.044	12.178	12.222
Inflation-Linked Bonds		**Last Close**	**Change**	**Prev Close**	**Current Spot**
GI22 (BMK: NCPI)	⇨	4.360	0.000	4.360	4.362
GI25 (BMK: NCPI)	⇨	4.601	0.000	4.601	4.602
GI29 (BMK: NCPI)	⇧	5.793	0.001	5.792	5.793
GI33 (BMK: NCPI)	⇨	6.400	0.000	6.400	6.401
GI36 (BMK: NCPI)	⇨	6.604	0.000	6.604	6.605
Commodities		**Last Close**	**Change**	**Prev Close**	**Current Spot**
Gold	⇧	1,672.23	2.16%	1,636.93	1,673.58
Platinum	⇩	867.55	-1.00%	876.30	865.43
Brent Crude	⇩	49.99	-2.23%	51.13	49.19
Main Indices		**Last Close**	**Change**	**Prev Close**	**Current Spot**
NSX Overall Index	⇩	536.08	-1.01%	541.55	536.08
JSE All Share	⇩	52,253.09	-1.29%	52,936.27	52,253.09
S&P 500	⇩	3,023.94	-3.39%	3,130.12	3,023.94
FTSE 100	⇩	6,576.41	-1.92%	6,705.43	6,576.41
Hangseng	⇩	26,165.90	-2.25%	26,767.87	26,165.90
DAX	⇩	11,944.72	-1.51%	12,127.69	11,944.72
JSE Sectors		**Last Close**	**Change**	**Prev Close**	**Current Spot**
Financials	⇩	13,792.19	-0.99%	13,930.35	13,517.77
Resources	⇩	43,706.65	-0.80%	44,058.13	43,185.82
Industrials	⇧	69,182.58	1.19%	68,370.58	68,456.19
Forex		**Last Close**	**Change**	**Prev Close**	**Current Spot**
N$/US Dollar	⇧	15.63	2.42%	15.26	15.62
N$/Pound	⇧	20.25	3.05%	19.65	20.26
N$/Euro	⇧	17.56	3.35%	16.99	17.55
US Dollar/ Euro	⇧	1.12	0.90%	1.11	1.12
		Namibia		**RSA**	
Economic data		**Latest**	**Previous**	**Latest**	**Previous**
Inflation	⇩	2.05	2.59	4.50	4.00
Prime Rate	⇩	10.00	10.25	9.75	10.00
Central Bank Rate	⇩	6.25	6.50	6.25	6.50

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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