



Market Update

Friday, 13 March 2020

Global Markets

Global stock markets crashed on Friday, ending a years-long bull run, with coronavirus panic selling hitting almost every asset class and leaving investors nowhere to hide. Half a trillion dollars in liquidity from the U.S. Federal Reserve and the promise of more were not enough to calm the fear that has wiped some \$14 trillion from world stocks in a month.

On Friday, Japanese stocks were in freefall and markets from Seoul to Jakarta punched through down-limit circuit breakers. The Nikkei dropped as far as 10% and is heading for its worst week since the 2008 financial crisis. Not one stock on the index is in positive territory. Losses were equally staggering outside Japan, driving MSCI's broad Asia-Pacific index back to where it was in 2017. Gold and oil fell and once-safe sovereign bonds slumped as investors liquidated everything they could to cover losses.

Even after its worst crash since Black Monday in 1987 overnight, Dow futures are down about 3% in Asia, as are S&P 500 futures. "There is a sense of fear and panic," said James Tao, an analyst at stockbroker Commsec in Sydney, where phones at the high-value client desk rang non-stop. "It's one of those situations where there is so much uncertainty that no-one quite knows how to respond...if it's fight or flight, many people are choosing flight at the moment."

Australia's benchmark fell as far as 8% and is set for its worst week on record. In South Korea the won was shredded and the Kospi fell 7.7%. Hong Kong's Hang Seng index fell 5%. China's Shanghai composite fell 3%. In currency markets the dollar was king and Asian currencies haemorrhaged as fears of systemic risks drove demand for the world's reserve currency. Majors stabilised after furious dollar buying overnight, with the euro finding footing around \$1.1200 and the Aussie recovering to \$0.6300. Emerging market currencies were punished: the won and baht dropped 1% and the rupiah 2%.

The plunge, as the coronavirus pandemic spreads, gathered pace after U.S. President Donald Trump spooked investors with a move to restrict travel from Europe, and after the European Central Bank disappointed markets by holding back on rate cuts. In a televised address late on Wednesday, Trump imposed restrictions on travel from Europe to the United States, shocking investors and travellers.

Traders were disappointed after hoping to see broader measures to fight the spread of the virus and blunt its expected blow to economic growth. "Government bureaucracy simply has not kept pace

with the nature of the outbreak and market expectations," said Tai Hui, Chief Asia Market Strategist, J.P. Morgan Asset Management. "We need to see the number of new infections stabilise...we also need to see fiscal and monetary policy support implementation," he said. "Hence, we are not looking at a specific time or valuation to advise investors to add back equities."

Trade was halted on the S&P 500 overnight after it hit circuit breakers. It fell further when trade resumed, eventually losing 9.5% to close 27% below February's peak. The VIX volatility index - Wall Street's "fear gauge" - and an equivalent measure of volatility for the Euro Stoxx 50 hit their highest since the 2008 financial crisis. Gold, usually a safe harbour in times of panic, has fallen 4% to \$1,563.42 an ounce in two days. Bond yields, which rise when prices fall, lifted on long-dated U.S. Treasuries overnight and held there on Friday. Sovereign 10-year yields for Australia, Japan, New Zealand, Thailand, Korea and Singapore rose.

"Wherever anyone has any risk, people just want to bring risk back to flat at the moment, that's what happening," said Stuart Oakley, Nomura's global head of flow FX in Singapore. "This is what happens when you get what's known as a value-at-risk shock, where people have drawn down so much P&L that they just need to draw down all risk."

To try and head off the sort of dislocation that saw markets seize up during the financial crisis more than a decade ago, the New York Federal Reserve surprised by pumping huge amounts of cash into the banking system. After adding \$500 billion on Thursday, it will inject another \$1 trillion on Friday in an effort to stop borrowing costs from rising. Australia's central bank injected an unusually large \$5.5 billion into the financial system.

In commodities, Brent crude is set for its biggest weekly drop since 1991 and was going backwards on Friday. Brent was down 50 cents, or 1.5%, at \$32.74 a barrel after falling more than 7% on Thursday. U.S. crude was down 1.6% at \$30.99 per barrel.

Source: Thomson Reuters

Domestic Markets

South African stocks recorded their worst single-day fall in more than 22-years, tracking global markets lower, after U.S. President Donald Trump curbed travel from Europe and oil prices dived. Petrochemicals firm Sasol, which suffered its worst trading day yet, was the biggest loser on the Johannesburg Stock Exchange. Its shares closed 29.36% lower at 37.24 rand, bringing losses this week to 80%.

Trump imposed sweeping restrictions on travel from Europe on Thursday to restrict the spread of the coronavirus after the World Health Organization classified the outbreak as a pandemic. All markets fell in response to the news and oil prices, already reeling from the threat of a flood of supply, fell again on Thursday. The oil price slide helped to wipe 79 billion Rand (\$4.8 billion) off the market value of Sasol. The company, which has operations in the United States, said on Thursday it would consider an equity issue and expand asset disposals in excess of the current target because of concerns around its debt.

The Johannesburg All-Share index weakened 9.72% to 44,303 points, its worst daily decline since October 1997. The Top-40 index fell 9.92% to 39,536 points. "It's a double black swan. You've got this coronavirus and then you've got the collapse in oil prices. Now Trump last night put a travel ban from Europe, which will affect the airlines. So it seems to be one bit of bad news after the other and there's no end in sight," Cratos capital equities trader Greg Davies said. "Airline industries are going

to suffer because of no flights (going into the U.S.) and those airlines use huge amounts of fuel for their planes so demand for fuel is going to drop and that puts more pressure on the oil price."

Mining stocks also fell as silver, palladium, platinum and gold prices fell. The mining index slumped more than 14%. Currency and bonds markets were also hit, with the rand trading 2.01% weaker at 16.5300 per dollar as of 1540 GMT.

In fixed income, the yield on the instrument due in 2030 added 52.5 basis points to close at 9.795%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)			Friday, 13 March 2020		
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	↓	6.93	-0.339	7.27	6.93
6 months	↓	7.29	-0.123	7.41	7.29
9 months	↓	7.33	-0.090	7.42	7.33
12 months	↓	7.33	-0.135	7.46	7.33
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	↓	7.00	-0.037	7.04	6.99
GC21 (BMK: R2023)	↓	7.19	-0.035	7.22	7.20
GC22 (BMK: R2023)	↑	7.46	0.165	7.29	7.40
GC23 (BMK: R2023)	↑	8.21	0.165	8.04	8.15
GC24 (BMK: R186)	↑	9.17	0.535	8.64	9.19
GC25 (BMK: R186)	↑	9.15	0.535	8.62	9.17
GC27 (BMK: R186)	↑	9.72	0.535	9.19	9.74
GC30 (BMK: R2030)	↑	10.82	0.555	10.26	10.84
GC32 (BMK: R213)	↑	11.44	0.575	10.87	11.46
GC35 (BMK: R209)	↑	12.05	0.470	11.58	12.06
GC37 (BMK: R2037)	↑	12.09	0.495	11.59	12.09
GC40 (BMK: R214)	↑	12.33	0.485	11.85	12.34
GC43 (BMK: R2044)	↑	12.64	0.470	12.17	12.64
GC45 (BMK: R2044)	↑	12.88	0.470	12.41	12.88
GC50 (BMK: R2048)	↑	12.90	0.480	12.42	12.90
Inflation-Linked Bonds		Last close	Difference	Prev close	Current Spot
GI22 (BMK: NCPI)	⇒	4.40	0.000	4.40	4.40
GI25 (BMK: NCPI)	⇒	4.60	0.000	4.60	4.60
GI29 (BMK: NCPI)	⇒	5.98	0.000	5.98	5.98
GI33 (BMK: NCPI)	⇒	6.70	0.000	6.70	6.70
GI36 (BMK: NCPI)	⇒	6.99	0.000	6.99	6.99
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,577	-3.53%	1,635	1,588
Platinum	↓	763	-11.27%	860	794
Brent Crude	↓	33.2	-7.18%	35.8	34.1
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	981	-8.81%	1,076	981
JSE All Share	↓	44,303	-9.72%	49,074	44,303
SP500	↓	2,481	-9.51%	2,741	2,481
FTSE 100	↓	5,237	-10.87%	5,877	5,237
Hangseng	↓	24,309	-3.66%	25,232	23,703
DAX	↓	9,161	-12.24%	10,439	9,161
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	12,149	-6.37%	12,975	12,149
Resources	↓	31,645	-14.43%	36,982	31,645
Industrials	↓	60,884	-8.72%	66,700	60,884
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	16.53	2.11%	16.18	16.46
N\$/Pound	↑	20.77	0.13%	20.75	20.67
N\$/Euro	↑	18.48	1.35%	18.23	18.43
US dollar/ Euro	↓	1.118	-0.75%	1.127	1.120
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↑	2.5	2.1	4.0	3.6
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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