



## Market Update

Monday, 16 March 2020

### Global Markets

Stock markets and the dollar were roiled on Monday after the Federal Reserve slashed interest rates in an emergency move and its major peers offered cheap U.S. dollars to break a logjam in global lending markets. The aggressive policy steps were aimed at cushioning the economic impact as the breakneck spread of the coronavirus all but shut down more countries, but had only limited success in calming panicky investors.

Data out of China also underscored just how much economic damage the disease had already done with industrial output plunging 13.5% and retail sales 20.5%. "By any historical standard, the scale and scope of these actions was extraordinary," said Nathan Sheets, chief economist at PGIM Fixed Income, who helps manage \$1.3 trillion in assets. "This is dramatic action and truly does represent a bazooka." "Even so, markets were expecting extraordinary action, so it remains to be seen whether the announcement will meaningfully shift market sentiment." He emphasised investors wanted to see a lot more U.S. fiscal stimulus put to work and evidence the Trump administration was responding vigorously and effectively to the public health challenges posed by the crisis. "The performance of the economy and the markets will be mainly determined by the severity and duration of the virus' outbreak."

The jury seemed to be out on that with E-mini futures for the S&P 500 index down 4.77% to their daily trading limit outside the United States. MSCI's index of Asia-Pacific shares outside Japan slid 2.4% to lows not seen since early 2017, while the Nikkei eased 0.4%. Shanghai blue chips fell 1.5% even as China's central bank surprised with a fresh round of liquidity injections into the financial system. New Zealand's central bank also shocked by cutting rates 75 basis points to 0.25%, while the Reserve Bank of Australia (RBA) pumped more money into a strained financial system.

Markets have been severely strained as bankers, companies and individual investors stampeded into cash and safe-haven assets, while selling profitable positions to raise money to cover losses in savaged equities. Such is the dislocation the Fed cut interest rates by 100 basis points on Sunday to a target range of 0% to 0.25%, and promised to expand its balance sheet by at least \$700 billion in coming weeks. Five of its peers also joined up to offer cheap U.S. dollar funding for financial institutions facing stress in credit markets. U.S. President Donald Trump, who has been haranguing the Fed to ease policy, called the move "terrific" and "very good news."

"It may be a shot in the arm for risk assets and help to address liquidity concerns...however, it also raises the question of whether the Fed has anything left in the tank should the spread of the virus not be contained," said Kerry Craig, global market Strategist at J.P. Morgan Asset Management. "We really need to see the fiscal side...to prevent a longer than needed economic slowdown."

The Fed's rate cut combined with the promise of more bond buying pushed U.S. 10-year Treasury yields down sharply to 0.66%, from 0.95% late on Friday. That pressured the U.S. dollar at first, though it regained some ground as the Asian session wore on. The dollar was last down 0.5% on the Japanese yen at 107.36, having fallen 1.7% earlier in the day. The euro was flat at \$1.1104. The risk-sensitive Australian dollar fell 0.6% to \$0.6132 while the New Zealand dollar slipped 0.4% to \$0.6036.

Oil prices fell on concerns about global demand. Brent crude was last off \$1.01 at \$32.84 per barrel while U.S. crude slipped 60 cents to \$31.13 a barrel. Gold was up 0.2% at \$1,532.99 rose.

**Source: Thomson Reuters**

## Domestic Markets

South Africa's rand held steady in early trade on Friday as a pause in the global selloff of risk assets, triggered by panic over the coronavirus and tumbling oil prices, gave investors a chance to reassess positions ahead of the weekend.

As of 0645 GMT, the rand was 0.69% firmer at 16.4500 per dollar, compared with Thursday's session-low of 16.6150. The mood in financial markets improved somewhat on Friday, with Asian equities staging a recovery and U.S. stocks futures pointing to a firmer start on Wall Street as attention turned to a U.S. stimulus package.

The turnaround came after assets across the developed and emerging markets saw record sell-offs on Thursday as investors scrambled for safe-havens even after the European Central Bank announced stimulus measures to fight the economic fallout from the coronavirus outbreak.

Locally, stocks recorded their worst single-day fall in more than 22-years in the previous session, bonds saw their biggest selloff on record, and the rand hovered around the 16.50 mark, a level seen as a bearish technical gauge, especially with dollar back in vogue.

The U.S. Federal Reserve's move to pump \$1.5 trillion of liquidity into the banking system quickened the flight to the greenback, but Friday was likely to see some profit-taking, traders said. "The rand has managed to make back some modest ground in early trade. Whether or not this can be sustained will depend on how risk conditions hold up as the markets remain fixated on coronavirus headlines," economists at ETM Analytics said in a note.

Bonds remained on the ropes with the yield on the government issued 2030 paper up 6 basis points at 9.855%.

**Source: Thomson Reuters**



## Market Overview

MARKET INDICATORS (Thomson Reuters)			Monday, 16 March 2020		
<b>Money Market TB's</b>					
		Last close	Difference	Prev close	Current Spot
3 months	↓	6.90	-0.313	7.21	6.90
6 months	↓	7.28	-0.098	7.38	7.28
9 months	↓	7.34	-0.031	7.37	7.34
12 months	↓	7.32	-0.068	7.39	7.32
<b>Nominal Bonds</b>					
		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	↓	6.99	-0.010	7.00	6.98
GC21 (BMK: R2023)	↑	7.20	0.015	7.19	6.86
GC22 (BMK: R2023)	↑	7.50	0.045	7.46	7.47
GC23 (BMK: R2023)	↑	8.25	0.045	8.21	8.22
GC24 (BMK: R186)	↑	9.32	0.145	9.17	9.47
GC25 (BMK: R186)	↑	9.30	0.145	9.15	9.45
GC27 (BMK: R186)	↑	9.87	0.145	9.72	10.02
GC30 (BMK: R2030)	↑	10.99	0.175	10.82	11.00
GC32 (BMK: R213)	↑	11.58	0.135	11.44	11.66
GC35 (BMK: R209)	↑	12.19	0.140	12.05	12.52
GC37 (BMK: R2037)	↑	12.22	0.135	12.09	12.24
GC40 (BMK: R214)	↑	12.45	0.120	12.33	12.54
GC43 (BMK: R2044)	↑	12.75	0.110	12.64	12.84
GC45 (BMK: R2044)	↑	12.99	0.110	12.88	13.08
GC50 (BMK: R2048)	↑	13.03	0.125	12.90	13.10
<b>Inflation-Linked Bonds</b>					
		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
<b>Commodities</b>					
		Last close	Change	Prev close	Current Spot
Gold	↓	1,529	-3.01%	1,577	1,546
Platinum	↓	762	-0.20%	763	764
Brent Crude	↑	33.9	1.90%	33.2	32.1
<b>Main Indices</b>					
		Last close	Change	Prev close	Current Spot
NSX Overall Index	⇒	981	0.00%	981	981
JSE All Share	↓	44,178	-0.28%	44,303	44,178
SP500	↑	2,711	9.29%	2,481	2,711
FTSE 100	↑	5,366	2.46%	5,237	5,366
Hangseng	↓	24,033	-1.14%	24,309	23,122
DAX	↑	9,232	0.77%	9,161	9,232
<b>JSE Sectors</b>					
		Last close	Change	Prev close	Current Spot
Financials	↓	12,079	-0.57%	12,149	12,079
Resources	↑	32,347	2.22%	31,645	32,347
Industrials	↓	60,017	-1.43%	60,884	60,017
<b>Forex</b>					
		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	16.24	-1.73%	16.53	16.46
N\$/Pound	↓	19.94	-4.03%	20.77	20.30
N\$/Euro	↓	18.03	-2.42%	18.48	18.34
US dollar/ Euro	↓	1.111	-0.70%	1.118	1.114
<b>Namibia</b>					
<b>RSA</b>					
<b>Economic data</b>					
		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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