



Market Update

Tuesday, 17 March 2020

Global Markets

Asian shares fell on Tuesday in a topsy-turvy session following one of Wall Street's biggest one-day routs in history as headlines about the coronavirus outbreak and its global economic impact whiplashed investor sentiment. Financial markets cratered on Monday with the S&P 500 tumbling 12%, its biggest drop since "Black Monday" three decades ago, as a series of emergency central bank rate cuts globally only added to the recent sense of investor panic.

While some markets such as U.S. stock futures bounced in Asian trade after the major plunge, there were no convincing reasons for a sustained rally. MSCI's broadest index of Asia-Pacific shares outside Japan gave up early gains to trade 0.5% lower. Japan's Nikkei stock index fell 0.06% and South Korea's KOSPI was off 2.16%. Australian shares were up 2.73% although this followed a plunge of almost 10% on Monday.

"The move in U.S. stock futures prompted some buying of battered down sharers and lifted dollar/yen," said Junichi Ishikawa, senior FX strategist at IG Securities in Tokyo. "The focus is shifting to the fiscal response to the virus. We're locked in a pattern where markets bounce and then resume falling." U.S. stock futures rose by their daily limit in Asian trading, also driven in part by hopes for big U.S. fiscal spending. This lifted some Asian bourses into positive territory, but the gains did not last. Some \$2.69 trillion in market value was wiped from the S&P 500 on Monday as it suffered its third-largest daily percentage decline on record. Over the past 18 days, the benchmark index has lost \$8.28 trillion.

Gold, which is normally bought as a safe-haven, extended declines on Tuesday as some investors chose to sell whatever they could to keep their money in cash. Oil futures rebounded in Asia, but downside risks remain due to an expected slump in global energy demand and Saudi Arabia's plans to increase crude output to expand its market share.

The U.S. Federal Reserve stunned investors with another emergency rate cut on Sunday, prompting other central banks to ease policy in the biggest coordinated response since the global financial crisis more than a decade ago. Investors, however, are worried that central banks may have spent all their ammunition and that more draconian restrictions on personal movement are necessary to contain the global coronavirus outbreak.

Group of Seven finance ministers are likely to hold a call on Tuesday night, which has fuelled speculation that a coordinated fiscal response could be in the works. Traders are looking ahead to

data due later on Tuesday, which is forecast to show German investor sentiment tumbled in March. The United States will also release retail sales and industrial production for February, which is unlikely to reflect the impact of the coronavirus.

Some investors say markets will not settle unless the U.S. government announces a big fiscal spending package to match the Fed's bold actions to slash rates and keep credit markets functioning. Others say liquidity in some financial markets is starting to fall because there's such a high degree of uncertainty, meaning even some traditional safe-havens may not be that safe. Spot gold fell 1.12% to \$1,497.60 per ounce.

In the currency market, the Swiss franc, another safe haven, weakened by 0.3% to 0.9369 per dollar as traders pondered policymakers next moves. The dollar rose 0.7% to at 106.67 yen, recovering slightly from a 2% decline from the previous session as the Fed's rate rippled through financial markets.

U.S. crude ticked up 3.87% to \$29.81 a barrel. Brent crude also rose 2.53% to \$30.81 per barrel, but these gains are likely to be temporary. Saudi Aramco reiterated on Monday plans to boost output to record levels. Top global oil producers Saudi Arabia and Russia started a price war after failing to agree on a plan to curb supply. The coming flood of supply from Saudi Arabia and other producers could result in the largest surplus of crude in history, said global information provider HIS Markit.

Source: Thomson Reuters

Domestic Markets

South Africa's rand, stocks and government bonds plunged on Monday, as fears surrounding the coronavirus outbreak roiled financial markets worldwide and cemented local economists' expectations for an interest rate cut this week. At 1600 GMT, the rand traded at 16.5630 per dollar, around 2.5% weaker than its previous close.

The Johannesburg Stock Exchange (JSE) suffered one of its steepest daily drop on record, its All-Share Index falling more than 8%, while the yield on the 2030 rand-denominated government bond rose 77 basis points.

South Africa has recorded 62 confirmed cases of the coronavirus, far fewer than in many countries in Europe and Asia. Public health experts, however, are concerned that the number of cases could quickly get out of control if local transmission takes hold in poor and overcrowded informal settlements.

President Cyril Ramaphosa declared a national state of disaster on Sunday, imposing travel bans on foreign nationals from "high-risk" countries such as Italy, Germany, China, Britain and the United States and prohibiting public gatherings of more than 100 people.

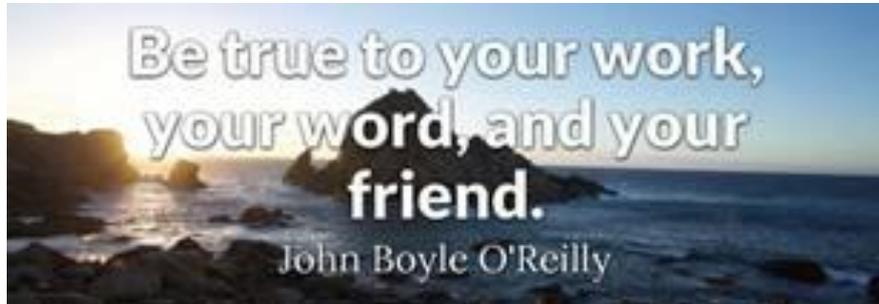
Africa's most industrialised economy is already in recession, and the pandemic is expected to make matters worse by hurting tourist arrivals and commodity exports to major trading partner China.

Citi said on Monday that it expected the South African Reserve Bank to cut its main lending rate by 50 basis points this week because of the economic shock from the coronavirus. "Monetary policy is the only response South Africa has given lacking fiscal space," the U.S. bank's economist Gina Schoeman said.

The drop in the JSE's All-Share Index to 40,500 points was its worst daily decline since October 1997. Retailers, miners and telecom companies were deep in the red, with Investec and Old Mutual

among the top decliners on a bruising day for the financial services sector. "At this point, there seems to be little faith over the effectiveness of monetary policy to counter the damage inflicted by the coronavirus outbreak," said Lukman Otunuga, senior research analyst at FXTM.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Tuesday, 17 March 2020			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	↓	6.90	-0.272	7.18	6.90
6 months	↓	7.17	-0.207	7.37	7.17
9 months	↓	7.19	-0.190	7.38	7.19
12 months	↓	7.20	-0.185	7.38	7.20
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	↓	6.98	-0.009	6.99	6.97
GC21 (BMK: R2023)	↓	7.44	-0.200	7.64	7.47
GC22 (BMK: R2023)	↑	7.61	0.105	7.50	7.61
GC23 (BMK: R2023)	↑	8.50	0.105	8.39	8.50
GC24 (BMK: R186)	↑	9.95	0.635	9.32	9.87
GC25 (BMK: R186)	↑	9.93	0.635	9.30	9.85
GC27 (BMK: R186)	↑	10.50	0.635	9.87	10.42
GC30 (BMK: R2030)	↑	11.74	0.745	10.99	11.74
GC32 (BMK: R213)	↑	12.36	0.785	11.58	12.30
GC35 (BMK: R209)	↑	12.97	0.775	12.19	12.97
GC37 (BMK: R2037)	↑	13.00	0.780	12.22	12.94
GC40 (BMK: R214)	↑	13.27	0.820	12.45	13.21
GC43 (BMK: R2044)	↑	13.58	0.825	12.75	13.58
GC45 (BMK: R2044)	↑	13.82	0.825	12.99	13.82
GC50 (BMK: R2048)	↑	13.84	0.810	13.03	13.84
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	↓	1,514	-1.01%	1,529	1,497
Platinum	↓	663	-12.96%	762	663
Brent Crude	↓	30.1	-11.23%	33.9	30.6
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	893	-8.97%	981	893
JSE All Share	↓	40,500	-8.32%	44,178	40,500
SP500	↓	2,386	-11.98%	2,711	2,386
FTSE 100	↓	5,151	-4.01%	5,366	5,151
Hangseng	↓	23,064	-4.03%	24,033	23,212
DAX	↓	8,742	-5.31%	9,232	8,742
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	10,800	-10.59%	12,079	10,800
Resources	↓	29,985	-7.30%	32,347	29,985
Industrials	↓	55,614	-7.34%	60,017	55,614
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	16.69	2.78%	16.24	16.51
N\$/Pound	↑	20.47	2.69%	19.94	20.23
N\$/Euro	↑	18.66	3.49%	18.03	18.46
US dollar/ Euro	↑	1.118	0.68%	1.111	1.118
		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



For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na

Disclaimer

The information contained in this note is the property of Capricorn Asset Management (CAM). The information contained herein has been obtained from sources which and persons whom the writer believe to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute the writer’s judgement as of the date of this material and are subject to change without notice. This note is provided for informational purposes only and may not be reproduced in any way without the explicit permission of CAM.

A member of  **Capricorn Group**
