Market Update — Wednesday, 19 February 2020

Global Markets

Asian shares and U.S. stock futures edged cautiously higher on Wednesday, as investors tried to shake off worries about the coronavirus epidemic after a slight decline in the number of new cases. MSCI's broadest index of Asia-Pacific shares outside Japan eked out a minor 0.03% gain but spent much of the morning session bouncing between gains and losses. Chinese shares erased early declines to trade 0.15% higher. Australian shares were up 0.02%, while Japan's Nikkei stock index rose 0.5%.

The euro languished at a three-year low versus the dollar as disappointing data from Germany, Europe's largest economy, has stoked fears that the euro zone is more vulnerable to external shocks than previously thought. The Treasury curve remained inverted on Wednesday as yields on three-month bills traded above yields on 10-year notes in a sign that some investors remain cautious about the outlook.

China, the world's second-largest economy, is still struggling to get its manufacturing sector back online after imposing severe travel restrictions to contain a virus that emerged in the central Chinese province of Hubei late last year. Many investors view Chinese data on the virus, dubbed SARS-CoV-2, with a great deal of scepticism, but there are hopes that officials will roll out more stimulus to support the world's second-largest economy. "Part of the thinking that is supporting markets is the actions that China takes to support its economy," said Michael McCarthy, chief market strategist at CMC Markets in Sydney. "Any investor concern around impact on demand globally from the virus will be offset by expectations that global central banks will ride to the rescue."

U.S. stock futures rose 0.18% in Asia on Wednesday. The S&P 500 fell 0.29% on Tuesday after Apple Inc said it would miss sales targets because the virus in China is pressuring its supply chain. Mainland China had 1,749 new confirmed cases of coronavirus infections on Tuesday, the country's National Health Commission said on Wednesday, down from 1,886 cases a day earlier and the lowest since Jan. 29. The death toll in China has topped more than 2,000 from the flu-like illness which has already spread to 24 other countries.

The People's Bank of China cut the interest rate on its medium-term lending on Monday, which is expected to pave the way for a reduction in the country's benchmark loan prime rate on Thursday, as policymakers try to ease financial strains caused by the virus.

In the currency market, the euro was quoted at $1.0804. The common currency managed to reclaim the closely-watched $1.08 level which it broke through on Wednesday but was still close to its lowest since April 2017. Sentiment remained weak after a survey showed a sharp deterioration in German investor sentiment due to the coronavirus. In the onshore market, the yuan briefly fell to a two-week low of 7.0136 per dollar as traders continued to ponder the economic impact of the virus and the chance for more monetary easing.

The yield on three-month Treasury bills stood at 1.5770% in Asia on Wednesday, above the 10-year Treasury yield of 1.5610%. A yield curve inverts when short-term yields trade above long-term yields and is often considered a sign of recession in the next year or two.

U.S. crude rose 0.21% to $52.16 a barrel, while Brent crude rose 0.12% to $57.87 per barrel as a reduction in supply from Libya offset concerns about weaker Chinese demand for commodities. Expectations that the Organization of the Petroleum Exporting Countries (OPEC) and allied producers including Russia will cut output further should lend support to prices. The group, known as OPEC+, will meet in Vienna on March 6.

Source: Thomson Reuters

Domestic Markets

The rand extended losses on Tuesday to touch a fresh one-week low after rating agency Moody's cut its economic growth forecast for South Africa, raising fears that the country may lose its last investment-grade rating.

By 1500 GMT, the rand was 0.41% weaker at 15.0420 per dollar, its weakest level since Feb. 10.

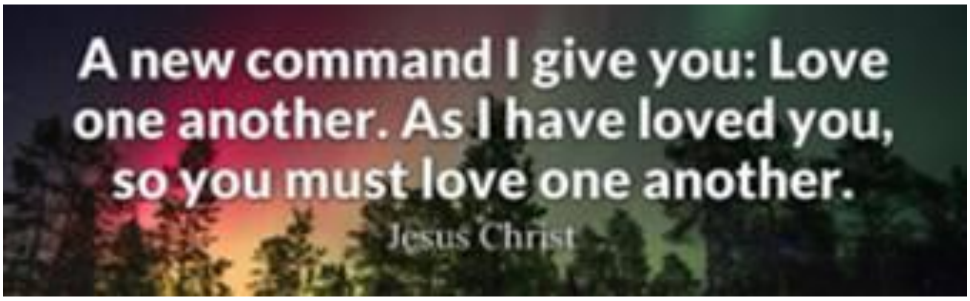
Moody's on Monday cut its 2020 GDP growth for South Africa to 0.7%, partly due to the impact of rolling power outages on manufacturing and mining activity.

The ratings agency left South Africa on the brink of "junk" status in November last year after it revised the outlook on the country's last investment-grade credit rating to "negative". "Moody’s latest move should further heighten the rand's sensitivity to Finance Minister Tito Mboweni’s budget speech on February 26," said Lukman Otunuga, senior research analyst at FXTM. "If the budget speech fails to offer the detail and insight Moody’s seek, South Africa could lose its last investment-grade credit rating – something that may send the rand tumbling."

Bonds also weakened, with the yield on the 2030 bond up 3 basis points to 8.93%.

Stocks closed down, with the Johannesburg Stock Exchange's Top-40 Index falling 0.83% to 51,922 points, and the broader all-share index losing 0.81% to close at 57,714 points. Gold stocks were among the only winners of the day on the blue-chip index, with Goldfields and AngloGold Ashanti rising 3.7% and 2% respectively.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)			Wednesday, 19 February 2020	
Money Market TB's	**Last close**	**Difference**	**Prev close**	**Current Spot**
3 months	7.39	0.004	7.39	7.26
6 months	7.65	0.000	7.65	7.60
9 months	7.69	-0.017	7.70	7.62
12 months	7.70	-0.055	7.75	7.66
Nominal Bonds	**Last close**	**Difference**	**Prev close**	**Current Spot**
GC20 (BMK: R207)	7.34	0.000	7.34	7.30
GC21 (BMK: R2023)	7.74	-0.015	7.75	7.72
GC22 (BMK: R2023)	7.41	0.010	7.40	7.39
GC23 (BMK: R2023)	8.11	0.010	8.10	8.09
GC24 (BMK: R186)	8.56	0.015	8.54	8.55
GC25 (BMK: R186)	8.57	0.015	8.55	8.56
GC27 (BMK: R186)	9.01	0.015	8.99	9.00
GC30 (BMK: R2030)	9.93	0.025	9.90	9.92
GC32 (BMK: R213)	10.51	0.030	10.48	10.50
GC35 (BMK: R209)	11.16	0.035	11.12	11.15
GC37 (BMK: R2037)	11.29	0.035	11.25	11.27
GC40 (BMK: R214)	11.58	0.045	11.53	11.56
GC43 (BMK: R2044)	11.92	0.045	11.87	11.90
GC45 (BMK: R2044)	12.16	0.045	12.11	12.14
GC50 (BMK: R2048)	12.19	0.040	12.15	12.18
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)	5.79	0.000	5.79	5.79
GI33 (BMK: NCPI)	6.40	0.000	6.40	6.40
GI36 (BMK: NCPI)	6.61	0.000	6.61	6.61
Commodities	**Last close**	**Change**	**Prev close**	**Current Spot**
Gold	1,602	1.32%	1,581	1,603
Platinum	992	2.37%	969	1,000
Brent Crude	57.8	0.14%	57.7	58.2
Main Indices	**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	1,278	-0.98%	1,291	1,278
JSE All Share	57,715	-0.81%	58,188	57,715
SP500	3,370	-0.29%	3,380	3,370
FTSE 100	7,382	-0.69%	7,433	7,382
Hangseng	27,530	-1.54%	27,960	27,629
DAX	13,681	-0.75%	13,784	13,681
JSE Sectors	**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	15,237	-0.58%	15,326	15,237
Resources	48,895	-0.72%	49,252	48,895
Industrials	73,659	-0.99%	74,398	73,659
Forex	**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	15.00	0.12%	14.98	14.96
N$/Pound	19.49	0.06%	19.48	19.44
N$/Euro	16.18	-0.28%	16.23	16.15
US dollar/ Euro	1.079	-0.40%	1.083	1.080
	Namibia		**RSA**	
Economic data	**Latest**	**Previous**	**Latest**	**Previous**
Inflation	2.1	2.6	4.0	3.6
Prime Rate	10.25	10.50	9.75	10.00
Central Bank Rate	6.50	6.75	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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