



## Market Update

Thursday, 19 March 2020

### Global Markets

The dollar surged, bonds plunged, and global markets struggled to find their footing on Thursday as the European Central Bank's latest promise of stimulus provided only brief solace while the world struggles to contain the coronavirus pandemic.

U.S. stock futures fell 2%. The Australian dollar was crushed, falling 3.3% to a more than 17-year low, and Asian markets gave up initial gains made after the ECB had announced a bond-buying programme. By midmorning, MSCI's broadest index of Asia-Pacific shares outside Japan had fallen 4% to an almost four-year low. Australia's benchmark erased an early 3% rise to trade 2% in the red. Korea's Kospi fell 6% and the won hit a decade-low even as the central bank was buying dollars to prop up the currency. Markets in Hong Kong and China fell. "We're in this phase where investors are just looking to liquidate their positions," said Prashant Newnaha, senior interest rate strategist at TD Securities in Singapore.

Overnight on Wall Street, the S&P 500 fell 5% and is down nearly 30% over a month. Household-name blue chips plunged, with General Motors and Boeing, each symbols of U.S. industrial might, losing more than 17% in a single day.

The ECB on Wednesday pledged to buy 750 billion euro (\$820 billion) in bonds through 2020, with Greek debt and non-financial commercial paper eligible under the programme for the first time. It follows emergency interest rate cuts around the globe, enormous fiscal support packages and six central banks promising discount dollars to alleviate a squeeze in greenback funding. But so far none of it has been able to put a floor under dire sentiment, and some \$15 trillion in shareholder value has been wiped out in little more than a month of heavy selling. "Liquidity is not the problem this time around," said Michael McCarthy, chief market strategist at brokerage CMC Markets in Sydney. "This is about the impact on demand and the disruption of global supply chain...(bond buying) is not speaking directly to the key problem for markets."

Selling extended across almost all asset classes. Benchmark 10-year sovereign bond yields in Australia, New Zealand, Malaysia, Korea and Singapore and Thailand surged. In currency markets, everything except the dollar and - thanks to the ECB, the euro - collapsed. Sterling fell 1% to \$1.1495. The New Zealand dollar fell 3% to \$0.5540 and the Aussie was pounded to \$0.5592. The Reserve Bank of Australia is due to make an out-of-cycle policy announcement at 0330 GMT at which it is expected to cut rates and introduce quantitative easing for the first time. U.S. 10-year Treasuries,

usually a haven in times of turmoil, were steady but have suffered their sharpest two-day selloff in nearly 20 years. Gold is down 3% for the week.

"I'd say the market is uninvestable at this point," said Daniel Cuthbertson, managing director at Value Point Asset Management in Sydney. "Until we get a containment of global contractions, the market is just going to be directionless." And the virus outbreak has worsened. Italy on Wednesday reported the largest single-day death toll increase from coronavirus since the outbreak began in China in late 2019. It has killed more than 8,700 people globally, infected more than 212,000 and prompted emergency lockdowns on a scale not seen in living memory.

Investors are looking to a March German sentiment survey due at 0900 GMT and U.S. jobless figures due at 1230 GMT for early signals on how the virus is hitting two of the world's economic powerhouses. The U.S. economy could shrink 14% next quarter, a JP Morgan economist said on Wednesday, one of the most dire calls yet on the potential hit to the United States.

Oil bounced back in Asian trade, with U.S. crude last up 12% to \$22.73 and Brent up \$1.66 to \$26.54.

**Source: Thomson Reuters**

## **Domestic Markets**

South Africa's rand fell to a more than four-year low, stocks plunged back to 2013 levels and bond yields spiked on Wednesday as a wave of stimulus from governments around the world failed to quell panic about the coronavirus pandemic.

At 1540 GMT, the rand traded at 17.1000 per dollar, 3.1% weaker than its previous close, while stocks lost the majority of the gains clawed back since Monday, when the Johannesburg Stock Exchange suffered its biggest ever daily fall.

Markets globally were stumbling again as cases of coronavirus continued to rise and countries took increasingly draconian measures to stem the increase, with a flight from riskier assets being felt across emerging markets.

"The rand is not alone in its losses...Unfortunately the rand being as liquid as it is, it's being caught up in the foray," said Quinten Bertenshaw, director at ETM Trading. "Anybody that's looking to hedge out any EM (emerging market) risk at the moment will be doing it in the rand."

The ongoing rout in South African markets means there is mounting pressure on the South African Reserve Bank ahead of a key interest rate decision on Thursday, when it is expected to cut rates in a bid to shore up an already ailing economy. Numerous other central banks and governments around the world have stepped in to provide large-scale support measures to businesses and consumers hurt by the coronavirus fallout.

While Bertenshaw said a 100 basis point interest rate cut was a possibility, he added it would have to come alongside a "concerted fiscal effort" from the government, though it might not have the room in its budget to do what is required to keep the economy afloat.

South Africa tipped into recession in the final quarter of last year, and the coronavirus pandemic is expected to make matters worse by hitting tourist arrivals and commodity exports to major trading partner China.

Both the JSE's blue-chip top-40 index and the broader all-share index closed more than 7% lower. Many financial firms suffered, with the banking index down nearly 15%. Other firms that bore the

brunt of the declines on the blue-chip index were Anglo American Platinum, down 24.07%, and Impala Platinum Holdings which fell 23.93%.

In fixed income, the yield on the 10-year government bond due in 2030 jumped by 50.5 basis points to close at 11.25%.

**Source: Thomson Reuters**



## Market Overview

MARKET INDICATORS (Thomson Reuters)		Thursday, 19 March 2020			
<b>Money Market TB's</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	↓	6.90	-0.289	7.19	6.90
6 months	↓	7.10	-0.165	7.26	7.10
9 months	↓	7.13	-0.115	7.24	7.13
12 months	↓	7.13	-0.144	7.27	7.13
<b>Nominal Bonds</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC20 (BMK: R207)	↓	6.95	-0.028	6.97	6.94
GC21 (BMK: R2023)	↓	7.42	-0.070	7.49	7.42
GC22 (BMK: R2023)	↑	7.89	0.860	7.03	7.89
GC23 (BMK: R2023)	↑	8.76	0.860	7.90	8.76
GC24 (BMK: R186)	↑	10.77	1.045	9.73	10.77
GC25 (BMK: R186)	↑	10.95	1.045	9.91	10.95
GC27 (BMK: R186)	↑	11.52	1.045	10.48	11.52
GC30 (BMK: R2030)	↑	11.75	0.505	11.25	11.75
GC32 (BMK: R213)	↑	12.61	0.545	12.06	12.61
GC35 (BMK: R209)	↑	12.99	0.490	12.50	12.99
GC37 (BMK: R2037)	↑	13.15	0.470	12.68	13.15
GC40 (BMK: R214)	↑	13.43	0.470	12.96	13.43
GC43 (BMK: R2044)	↑	13.84	0.470	13.37	13.84
GC45 (BMK: R2044)	↑	13.98	0.470	13.51	13.98
GC50 (BMK: R2048)	↑	14.30	0.470	13.83	14.30
<b>Inflation-Linked Bonds</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
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>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↓	1,486	-2.77%	1,528	1,471
Platinum	↓	625	-5.56%	661	612
Brent Crude	↓	24.9	-13.40%	28.7	25.3
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	↓	822	-9.22%	906	822
JSE All Share	↓	38,605	-7.15%	41,580	38,605
SP500	↓	2,398	-5.18%	2,529	2,398
FTSE 100	↓	5,081	-4.05%	5,295	5,081
Hangseng	↓	22,292	-4.18%	23,264	21,446
DAX	↓	8,442	-5.56%	8,939	8,442
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↓	9,309	-12.43%	10,631	9,309
Resources	↓	29,158	-8.54%	31,883	29,158
Industrials	↓	54,930	-3.94%	57,183	54,930
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↑	17.08	2.69%	16.63	17.43
N\$/Pound	↓	19.83	-1.05%	20.04	20.05
N\$/Euro	↑	18.64	1.91%	18.29	19.01
US dollar/ Euro	↓	1.091	-0.75%	1.100	1.090
		<b>Namibia</b>		<b>RSA</b>	
<b>Economic data</b>		<b>Latest</b>	<b>Previous</b>	<b>Latest</b>	<b>Previous</b>
Inflation	↑	2.5	2.1	4.6	4.5
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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