



Market Update

Thursday, 20 February 2020

Global Markets

Asian stocks eased and currency markets were skittish on Thursday, as virus cases rose in South Korea and Japan even as China added more stimulus via a rate cut to support its economy. China reported a large drop in new cases but that came together with a jump in infections in South Korea, two apparent deaths in Japan and researchers finding that the virus spreads more easily than previously believed.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.6%, led by falls of 0.8% on Hong Kong's Hang Seng and South Korea's KOSPI. E-mini futures for the S&P 500 traded 0.2% softer while bonds firmed slightly and the U.S dollar rose. "I think there's a realisation that before we get all the stimulus measures that people have been frothing about, you've got to deal with a lot of companies that are finding themselves with impairment charges or indeed solvency problems," said Sean Darby, global equity strategist at Jefferies in Hong Kong. "Markets have taken a step back because the authorities won't do any major stimulus until they are completely sure the virus has stopped, because there's no point in doing it when people are sitting at home."

China cut its benchmark lending rate earlier on Thursday, as anticipated, adding to a slew of measures in recent weeks aimed at cushioning the virus' impact on the economy. That kept Chinese stocks supported, while Japan's Nikkei advanced 1% as an overnight slide in the yen is a boon for exporters, though the mood was more nervous elsewhere. China had 394 new cases on Wednesday, the lowest since Jan. 23. More than 2,100 people have died from the coronavirus in China, with eight deaths in other countries but not including the two from the quarantined cruise ship in Japan.

South Korea's government reported 31 new cases of coronavirus on Thursday, after a new outbreak traced to a church, bringing the number of people infected in the country to 82. In Japan, where the government has come under intense criticism for its handling of an outbreak on a cruise ship carrying about 3,700 people, broadcaster NHK reported that two passengers in their 80s had died.

Currency markets were still reeling from an overnight plunge in the Japanese yen, which fell even as safe-haven assets such as gold climbed. The yen was undermined by a run of weak data this week, but traders were unnerved when it blew past a support level at 110.30 per dollar, broadening and accelerating its fall after that. It dropped nearly 1.4% against the dollar, its sharpest fall in six months, and 2% against the Norwegian krone - its sharpest daily drop in almost three years. "Nearness to China and dependence on China have not helped the yen as a risk-off. We have

seen the yen and gold diverging for a while and this may not be the end of it," said Shafali Sachdev, head of FX in Asia at BNP Paribas Wealth Management. "The kind of classic correlations between U.S. yields and the yen, those have been kind of breaking down...we need to see past this virus situation to see whether the yen will regain its safe-haven status."

The skittish mood had investors punishing the Australian dollar, sending it down 0.6% to an 11-year low of \$0.6633 after a surprise rise in unemployment. Elsewhere, oil prices added to overnight gains while gold loitered around \$1,609 per ounce. U.S. crude last sat 25 cents firmer at \$53.54 per barrel and Brent added 16 cents to \$59.28.

Source: Thomson Reuters

Namibia central bank expects economy to grow in 2020 - governor

Namibia's economy is likely to expand this year, driven by growth in the mining sector, after a projected 1.7% contraction in 2019, central bank governor Ipumbi Shiimi said on Wednesday.

Shiimi said he expected growth to be driven by increased diamond output as all five mining vessels owned by marine diamond producer Debmarine - which mines high-quality diamonds from the ocean floor using hi-tech surveying equipment - are expected to be in full production during the year.

Diamond mining is the largest taxpayer in Namibia and generates 20% of the southern African country's export earnings. "In 2020, we believe that the mining sector is going to have better growth, especially diamond mining," Shiimi told Reuters.

Shiimi voiced concern over the impact of the coronavirus outbreak in China on the industry, however. "China is the number one buyer of diamonds in the world, so with the outbreak of the virus, demand could be negatively affected."

Construction and the wholesale and retail sectors were also expected to make a positive contribution to growth, Shiimi said. "So those will probably be able to generate a bit of positive growth, but not significant," he said.

Source: Thomson Reuters

Domestic Markets

South Africa's rand firmed on Wednesday as data showed an uptick in consumer inflation but the January figure of 4.5% remained well below the central bank's upper target range, supporting the currency's carry-trade appeal. Stocks rose, led by gains in mining shares.

At 1500 GMT, the rand was 0.09% firmer at 14.9900, after touching a session high of 14.9280 following the release of the inflation figures. Statistics South Africa said headline consumer price inflation quickened in the year to January from 4.0% in December, below the central bank's upper target of 6%.

Low inflation against relatively high lending rates has supported the rand's attractiveness as a carry-trade target with yield-hungry investors happy to ignore local risks for higher returns. Falling prices, partly due to slack economic activity, have allowed the South African Reserve Bank (SARB) to reduce lending rates to their lowest since 2015, while maintaining a competitive real return rate due to falling rates in the U.S. and developing markets.

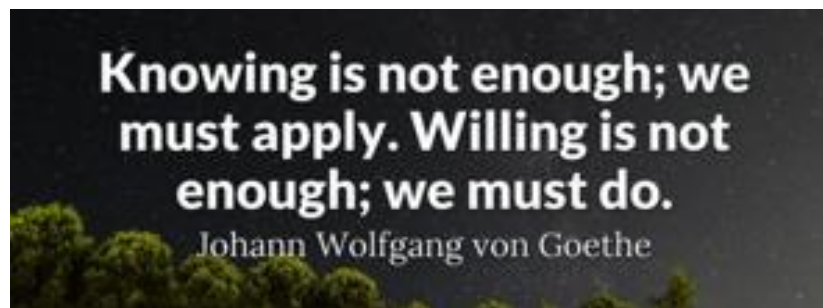
"We do not expect the latest figure to have an impact on the SARB's expectations, with the central bank most likely being forced to sit back and wait for the budget, and then doing its best to assume how the budget will be interpreted by markets," said Jacques Nel at NKC African Economics.

Investors will be looking at minutes of the Federal Reserve's January meeting for insight into its thoughts about the risks posed by the coronavirus outbreak in China and the direction of monetary policy. The report is due at 1900 GMT.

On the stock market, the Top-40 index was up 0.39% at 52,126, with the broader all-share also rising 0.39% to 57,940. Leading gainers on the blue-chip index was miner Gold Fields, whose shares rose nearly 10% as bullion climbed towards a seven-year peak on concerns over the global economic impact of the coronavirus. Shares in Anglo American Platinum also benefited from higher commodity prices, rising 6.72%.

Bonds firmed, with the yield on the 2026 Government Issue down 2.5 basis points at 7.975%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Thursday, 20 February 2020			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	⇒	7.28	0.000	7.28	7.28
6 months	⇒	7.62	0.000	7.62	7.62
9 months	⇓	7.68	-0.017	7.69	7.68
12 months	⇓	7.77	-0.008	7.78	7.77
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	⇓	7.30	-0.033	7.34	7.29
GC21 (BMK: R2023)	⇓	7.50	-0.035	7.54	7.52
GC22 (BMK: R2023)	⇓	7.61	-0.050	7.66	7.61
GC23 (BMK: R2023)	⇓	8.06	-0.050	8.11	8.06
GC24 (BMK: R186)	⇓	8.58	-0.030	8.61	8.59
GC25 (BMK: R186)	⇓	8.54	-0.030	8.57	8.55
GC27 (BMK: R186)	⇓	8.98	-0.030	9.01	8.99
GC30 (BMK: R2030)	⇓	9.89	-0.035	9.93	9.90
GC32 (BMK: R213)	⇓	10.47	-0.040	10.51	10.49
GC35 (BMK: R209)	⇓	11.11	-0.050	11.16	11.13
GC37 (BMK: R2037)	⇓	11.23	-0.055	11.29	11.25
GC40 (BMK: R214)	⇓	11.51	-0.065	11.58	11.53
GC43 (BMK: R2044)	⇓	11.84	-0.075	11.92	11.86
GC45 (BMK: R2044)	⇓	12.08	-0.075	12.16	12.10
GC50 (BMK: R2048)	⇓	12.13	-0.060	12.19	12.13
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	⇑	1,611	0.60%	1,602	1,607
Platinum	⇑	1,005	1.39%	992	993
Brent Crude	⇑	59.1	2.37%	57.8	59.4
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⇑	1,280	0.17%	1,278	1,280
JSE All Share	⇑	57,941	0.39%	57,715	57,941
SP500	⇑	3,386	0.47%	3,370	3,386
FTSE 100	⇑	7,457	1.02%	7,382	7,457
Hangseng	⇑	27,656	0.46%	27,530	27,576
DAX	⇑	13,789	0.79%	13,681	13,789
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⇓	15,225	-0.08%	15,237	15,225
Resources	⇑	49,606	1.45%	48,895	49,606
Industrials	⇓	73,580	-0.11%	73,659	73,580
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⇓	14.97	-0.19%	15.00	15.06
N\$/Pound	⇓	19.34	-0.80%	19.49	19.43
N\$/Euro	⇓	16.17	-0.07%	16.18	16.25
US dollar/ Euro	⇑	1.080	0.12%	1.079	1.079
Economic data		Namibia		RSA	
		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	⇓	6.25	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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