Market Update Friday, 20 March 2020

Global Markets

Asian shares sought a reprieve on Friday as Wall Street eked out gains, bonds rallied and oil boasted its biggest bounce on record, though a panicked rush into U.S. dollars suggested the crisis was far from done.

As the spread of the coronavirus brought much of the world to a halt, nations have poured ever-more-massive amounts of stimulus into their economies while central banks have showered markets with cheap dollars to ease funding strains. Sources told Reuters China was set to unleash trillions of yuan of fiscal stimulus to revive an economy facing its first contraction in four decades. "The speed and aggression with which authorities are wheeling out measures to cushion the economic fallout from the virus and sowing the seeds for a hopefully rapid recovery, has resonated somewhat in equity markets," said Ray Attrill, head of FX strategy at NAB. "Yet there is little doubt that funds need to buy dollars to rebalance hedges in light of the 30% fall in equity markets so far this month," he added. "The dollar remains the pre-eminent safe-haven asset during time of extreme market stress."

The dollar's surge is a nightmare for the many countries and companies that have borrowed heavily in the dollar, leading to yet more selling of emerging market currencies in a negative feedback loop. Such was the stress that dealers hear whispers of a new Plaza Accord, the 1985 agreement when major central banks used mass intervention to restrain a rampant dollar.

For now, investors in Asia were merely happy Wall Street had not plunged again and South Korean shares bounced 2.6%, though that still left them down 15% for the week. MSCI's broadest index of Asia-Pacific shares outside Japan firmed 0.6%, while Australia's beleaguered market rose 2.9%. Japan's Nikkei went the other way and dipped 1%. Gains in tech stocks had helped the Dow rise 0.95% on Thursday, while the S&P 500 gained 0.47% and the Nasdaq 2.3%. However, E-Mini futures for the S&P 500 slipped 1.7% in early Asian trade on Friday, a pattern of weakness seen every day this week.

Aiding sentiment was a 25% rally in oil prices overnight. U.S. crude added another 53 cents to $26.44 a barrel on Friday, up from a low of $20.09, while Brent crude stood at $28.46. This was a major relief as the collapse of crude prices had blown a huge hole in the budgets of many oil producers and forced them to dump any liquid asset to raise cash, with U.S. Treasuries a particular casualty. That was one reason yields on U.S. 10-year Treasuries had climbed over 100 basis points in just nine sessions to reach 1.279%, before steadying a little at 1.15%.

At the same time, funds across the world were fleeing to the liquidity of U.S. dollars, lifting it to peaks last seen in January 2017 against a basket of its peers. "Such price action suggests significant market stress, particularly on the wide range of entities outside the U.S. that have borrowed in dollars," said Richard Franulovich, head of FX strategy at Westpac. "It could last until global capital flows and investor risk appetite normalises, possibly months away."

The euro was down near three-year lows at $1.0660, having shed 4% for the week so far - the steepest decline since mid-2010. The dollar was also up 3.2% for the week at 111.33 yen, the largest gain in more than three years. Sterling sank to its lowest since 1985 after the Bank of England surprised by cutting rates to 0.1%. The pound was last at $1.1484 and down a staggering 6.5% for the week. The jump in the dollar has made gold more expensive in other currencies and pushed its price down 3.7% for the week to $1,471.39 per ounce.

Source: Thomson Reuters

Domestic Markets

South Africa's rand fell on Thursday, with even the central bank's biggest interest rate cut since the global financial crisis unable to drag the currency back into positive territory.

At 1627 GMT, the rand traded at 17.3900 per dollar, 1.76% weaker than its previous close and slightly above its January 2016 low, as the coronavirus pandemic continued to cause market turmoil across the world.

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 China, an important trading partner.

The South African Reserve Bank said it would cut interest rates by 100 basis points on Thursday, joining other central banks around the world in taking aggressive measures to try and mitigate the damage.

Investec said in a note that while the rand had pulled up following the decision, it remains heavily influenced by the global outlook and runs deeper into the severe down case as fears of a worldwide recession rise. "The risk is that the rand sees further marked weakness in the second quarter of this year, in line with the forecast of the severe down case," the note said.

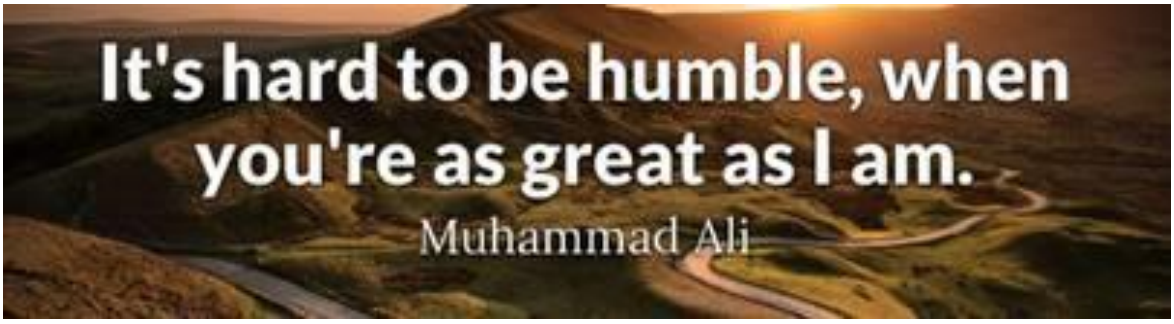
The Africa Centres for Disease Control warns that "the epidemic is expected to take hold more fully in coming weeks, and this likely includes in (South Africa} too," it said.

Bond yields also remained elevated and, like the rand, remained barely changed relative to such a significant move by the central bank. The yield on the 10-year government bond due in 2030 was up 1 basis point at 11.730%.

It was another rough day for many stocks too, with the Johannesburg Stock Exchange (JSE) overall falling further, though not as rapidly as it had earlier in the week. The JSE's Top-40 index closed just over 1% lower at 34,239 points, while the broader all-share index fell 1.33% to 37,963 points. A host of firms saw their shares sink by more than 10% or 15% as the coronavirus sell-off hit local stocks.

One bank, Capitec tried to calm nervous investors as its shares plummeted far more than rivals, at one point losing more than 50% over Wednesday and Thursday. Anglo American Platinum's stock closed 7.35% lower after the company said production would be at the lower end of its guidance following an explosion at its processing facilities prompted a force majeure.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)					Friday, 20 March 2020
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	↓	6.86	-0.321	7.18	6.86
6 months	↓	7.12	-0.065	7.19	7.12
9 months	↓	7.14	-0.023	7.17	7.14
12 months	↓	7.15	-0.035	7.19	7.15
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	↓	6.94	-0.009	6.95	6.93
GC21 (BMK: R208)	↓	6.97	-0.450	7.42	6.94
GC22 (BMK: R2023)	↑	7.94	0.045	7.89	7.96
GC23 (BMK: R2023)	↑	8.80	0.045	8.76	8.82
GC24 (BMK: R186)	↓	10.76	-0.010	10.77	10.78
GC25 (BMK: R186)	↓	10.94	-0.010	10.95	10.96
GC27 (BMK: R186)	↓	11.51	-0.010	11.52	11.53
GC30 (BMK: R2030)	↑	12.22	0.470	11.75	12.23
GC32 (BMK: R213)	↑	12.88	0.275	12.61	12.88
GC35 (BMK: R209)	↑	13.48	0.495	12.99	13.50
GC37 (BMK: R2037)	↑	13.65	0.500	13.15	13.67
GC40 (BMK: R214)	↑	13.75	0.325	13.43	13.75
GC43 (BMK: R2044)	↑	14.33	0.490	13.84	14.35
GC45 (BMK: R2044)	↑	14.47	0.490	13.98	14.49
GC50 (BMK: R2048)	↑	14.79	0.495	14.30	14.80
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	↓	1,470	-1.09%	1,486	1,484
Platinum	↓	587	-6.08%	625	606
Brent Crude	↑	28.5	14.43%	24.9	28.9
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	763	-7.15%	822	763
JSE All Share	↓	37,963	-1.66%	38,605	37,963
SP500	↑	2,409	0.47%	2,398	2,409
FTSE 100	↑	5,152	1.40%	5,081	5,152
Hangseng	↓	21,709	-2.61%	22,292	22,419
DAX	↑	8,610	2.00%	8,442	8,610
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	8,651	-7.07%	9,309	8,651
Resources	↓	27,787	-4.70%	29,158	27,787
Industrials	↑	56,210	2.33%	54,930	56,210
Forex		Last close	Change	Prev close	Current Spot
N$/US dollar	↑	17.45	2.18%	17.08	17.32
N$/Pound	↑	20.04	1.05%	19.83	20.09
N$/Euro	↑	18.66	0.08%	18.64	18.58
US dollar/ Euro	↓	1.069	-2.04%	1.091	1.072
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
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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