



Market Update

Friday, 21 February 2020

Global Markets

Asian shares were under water on Friday as fears over the creeping spread of the coronavirus sent funds fleeing to the sheltered shores of U.S. assets, lofting the dollar to three-year highs. Even Wall Street turned soggy late on Thursday on news of increased infections in Beijing and abroad. South Korea reported 52 new confirmed cases on Friday. Corporate earnings are increasingly under threat as U.S. manufacturers, like many others, scramble for alternative sources as China's supply chains seize up.

The International Air Transport Association (IATA) estimated losses for Asian airlines alone could amount to almost \$28 billion this year, with most of that in China. "COVID-19 anxiety has risen to a new level amid concerns of virus outbreaks in Beijing and outside of China," said Rodrigo Catril, a senior FX strategist at NAB. "U.S. and EU equity markets have been sold across the board with core global yields benefiting from safe-haven flows," he added. "Asian currencies have suffered sharp falls, including the yen as recession fears trump the usual safe-haven demand." Adding to the tension was the imminent release of flash manufacturing surveys for a range of countries. Japan's index dropped to 47.6 in February, from 48.8, marking the steepest contraction in seven years.

Gold shined as a safe harbour and rose to its highest in seven years. The yellow metal was last at \$1,623.94 having added 2.5% for the week so far. Equities lagged badly, with MSCI's broadest index of Asia-Pacific shares outside Japan off 0.8% on Friday in nervous trade. South Korea slid 1.2% as the virus spread in the country, while Japan's Nikkei eased 0.3% even as a plunge in the yen promised to aid exporters. Shanghai blue chips were holding their nerve thanks to the promise of more policy stimulus at home. But both E-Mini futures for the S&P 500 and EUROSTOXX 50 slipped 0.3%. The Dow had lost 0.44% on Thursday, while the S&P 500 lost 0.38% and the Nasdaq 0.67%.

Sovereign bonds benefited from the mounting risk aversion, with yields on 30-year U.S. Treasuries falling below the psychologically important 2% level to the lowest since September 2019. Yields on 10-year notes were down 8 basis points for the week at 1.50%, lows last seen in September. "The U.S. 10-year has rallied more than all the other liquid G5 bond market alternatives," said Alan Ruskin, global head of G10 FX strategy at Deutsche Bank. "Treasuries attract foreign bond inflows because of their higher yields, and because higher yields leave more scope for yields to decline."

Those flows were a boon to the U.S. dollar, boosting it to multi-month peaks against a raft of competitors this week. The most spectacular gains came on the Japanese yen as a run of dire

domestic data stirred talk of recession there and ended months of stalemate in the market. The dollar was last lording it at 112.02 yen and set for its best week since September 2017 with a rise of 2%. Another casualty of its close trade ties with China was the Australian dollar, which plumbed 11-years lows. The euro fared little better, touching lows last seen in April 2017 to be trading at \$1.0787. Against a basket of currencies, the dollar hit a three-year top at 99.910 having climbed 0.8% for the week so far.

Analysts at RBC Capital Markets noted the dollar's outperformance had brought it close to breaching a host of major chart barriers, which could supercharge its rally. "This has allowed the DXY to approach the 100.00 threshold – with a key resistance hurdle at 100.30 now within sight," they wrote in a note. The same went for the Chinese yuan. "USD/CNH is now poised to pierce resistance at 7.0559 after the USD hit new cycle highs against other EM currencies."

Oil prices faded a little on Friday, but were still up more than 3% for the week. U.S. crude dipped 38 cents to \$53.50 a barrel, while Brent crude futures eased 39 cents to \$58.92.

Source: Thomson Reuters

Domestic Markets

South Africa's rand fell on Thursday as emerging-market currencies reeled under pressure from a firmer U.S. dollar, while investors awaited finance minister's budget speech next week and a Moody's rating review next month for clues about the domestic economy.

At 1500 GMT, the rand was 0.86% weaker at 15.1100 per dollar, off a session-best 14.9280 on Wednesday. Investors pared emerging-market assets as coronavirus cases rose in South Korea and research suggested that the pathogen is more contagious than initially thought. The rand also faces onshore risks linked to continued power outages and weak economic growth.

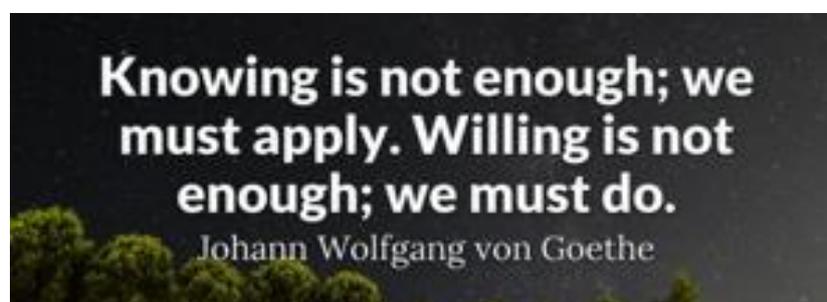
Finance Minister Tito Mboweni will present the 2020 budget to parliament on Wednesday, while Moody's - the last of the top three agencies to rate the country's debt at investment level - is set to review ratings in March.

"Risks continue to stack up for the rand, as high political tensions domestically hold up the implementation of key policy reforms, ... while the risk premium in the rand is rising as markets fear a greater likelihood of a Moody's downgrade," Annabel Bishop, chief economist at Investec, wrote in a note.

On the stock market, the Top-40 closed down 0.18% at 52,033, with the broader all-share was 0.26% weaker at 57,793. Woolworths closed down 4.42% at 42.40 rand after the company reported a 17.7% drop in half-year earnings, dragged down by a number of product issues in womenswear and disappointing Black Friday sales. Truworths International rose 3.56% to 45.64 rand after the fashion retailer reported a rise in first-half earnings.

In fixed income, the yield on the 2030 Government Issue was down 4 basis points to 8.85%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Friday, 21 February 2020			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	↓	7.27	-0.008	7.28	7.27
6 months	↓	7.59	-0.025	7.62	7.59
9 months	↓	7.65	-0.025	7.68	7.65
12 months	↓	7.73	-0.042	7.77	7.73
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	↓	7.29	-0.011	7.30	7.29
GC21 (BMK: R2023)	↓	7.40	-0.100	7.50	7.38
GC22 (BMK: R2023)	↓	7.53	-0.080	7.61	7.52
GC23 (BMK: R2023)	↓	7.98	-0.080	8.06	7.97
GC24 (BMK: R186)	↓	8.54	-0.040	8.58	8.54
GC25 (BMK: R186)	↓	8.50	-0.040	8.54	8.50
GC27 (BMK: R186)	↓	8.94	-0.040	8.98	8.94
GC30 (BMK: R2030)	↓	9.86	-0.035	9.89	9.85
GC32 (BMK: R213)	↓	10.42	-0.050	10.47	10.42
GC35 (BMK: R209)	↓	11.05	-0.060	11.11	11.04
GC37 (BMK: R2037)	↓	11.18	-0.055	11.23	11.17
GC40 (BMK: R214)	↓	11.47	-0.045	11.51	11.46
GC43 (BMK: R2044)	↓	11.79	-0.055	11.84	11.77
GC45 (BMK: R2044)	↓	12.03	-0.055	12.08	12.01
GC50 (BMK: R2048)	↓	12.06	-0.065	12.13	12.06
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	↑	1,619	0.50%	1,611	1,630
Platinum	↓	978	-2.74%	1,005	977
Brent Crude	↑	59.3	0.32%	59.1	58.7
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,265	-1.18%	1,280	1,265
JSE All Share	↓	57,793	-0.26%	57,941	57,793
SP500	↓	3,373	-0.38%	3,386	3,373
FTSE 100	↓	7,437	-0.27%	7,457	7,437
Hangseng	↓	27,609	-0.17%	27,656	27,378
DAX	↓	13,664	-0.91%	13,789	13,664
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	14,962	-1.73%	15,225	14,962
Resources	↑	50,012	0.82%	49,606	50,012
Industrials	↓	73,430	-0.20%	73,580	73,430
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	15.11	0.96%	14.97	15.11
N\$/Pound	↑	19.46	0.65%	19.34	19.48
N\$/Euro	↑	16.29	0.76%	16.17	16.31
US dollar/ Euro	↓	1.078	-0.19%	1.080	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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