



Market Update

Tuesday, 24 March 2020

Global Markets

Asian stocks rebounded sharply on Tuesday as the U.S. Federal Reserve's promise of bottomless dollar funding eased painful strains in financial markets, even if it could not soften the immediate economic hit of the coronavirus.

While Wall Street seemed unimpressed, investors in Asia were encouraged enough to lift E-Mini futures for the S&P 500 by 3% and Japan's Nikkei 6.2%. If sustained it would be the biggest daily rise for the Nikkei since late 2016. MSCI's broadest index of Asia-Pacific shares outside Japan jumped 4.2%, to more than halve Monday's drop. Shanghai blue chips gained 2.7%. Europe also looked a shade brighter as EUROSTOXX 50 futures climbed 3.3% and FTSE futures 3.1%.

In its latest drastic step, the Fed offered to buy unlimited amounts of assets to steady markets and expanded its mandate to corporate and muni bonds. The numbers were certainly large, with analysts estimating the package could make \$4 trillion or more in loans to non-financial firms. "This open-ended and massively stepped-up programme of QE is a very clear signal that the Fed will do all that is needed to maintain the integrity and liquidity of the Treasury market, key asset-backed markets and other core markets," said David de Garis, a director of economics at NAB.

The Fed's package helped calm nerves in bond markets where yields on two-year Treasuries hit their lowest since 2013, while 10-year yields dropped back to 0.79%. Analysts cautioned it would do little to offset the near-term economic damage done by mass lockdowns and layoffs. Speculation is mounting data due on Thursday will show U.S. jobless claims rose an eye-watering 1 million last week, with forecasts ranging as high as 4 million.

Goldman Sachs warned the U.S. economic growth could contract by 24% in the second quarter, two-and-a-half times as large as the previous post-war record. A range of flash surveys on European and U.S. manufacturing for March are due later on Tuesday and are expected to show deep declines into recessionary territory. Surveys from Japan showed its services sector shrank at the fastest pace on record in March and factory activity at the quickest in about a decade.

While governments around the globe are launching ever-larger fiscal stimulus packages, the latest U.S. effort remains stalled in the Senate as Democrats said it contained too little money for hospitals and not enough limits on funds for big business. The logjam combined with the stimulus splash from the Fed to take a little of the shine off the U.S. dollar, though it remains in demand as a global store of liquidity. "The special role of the USD in the world's financial system – it is used globally in a range

of transactions such as commodity pricing, bond issuance and international bank lending – means USD liquidity is at a premium," said CBA economist Joseph Capurso. "While liquidity is an issue, the USD will remain strong."

For now, the prospect of massive U.S. dollar funding from the Fed saw the currency ease back to 110.38 yen from Monday's one-month top of 111.56. The euro bounced 0.8% to \$1.0805, up from a three-year trough of \$1.0635. The dollar index slipped 0.4% to 101.720 and off a three-year peak of 102.99. Commodity and emerging market currencies that suffered most during the recent asset rout, also benefited from the Fed's steadying hand. The Australian dollar climbed 1.5% to \$0.5915 and away from a 17-year low of \$0.5510.

Gold surged in the wake of the Fed's promise of yet more cheap money and was last up 1.7% at \$1,578.45 per ounce having rallied from a low of \$1,484.65 on Monday. Oil prices also bounced after recent savage losses, with U.S. crude up \$1.09 at \$24.45 barrel. Brent crude firmed 97 cents to \$28.00.

Source: Thomson Reuters

Domestic Markets

South Africa's rand weakened on Monday, threatening to break through a lifetime low against the dollar as concerns over coronavirus infections and likely stricter measures weighed on already shaky sentiment, as stocks fell.

At 1510 GMT the rand traded 1.08% weaker at 17.7200 per dollar, after hitting a high of 17.5800 earlier in the session as it edged closer to an all-time worst level of 17.9950 in 2015.

Bonds continued to tumble, with the government issue due in 2030 adding 63.5 basis points to 12.305%.

With South Africa reporting a sharp jump in confirmed coronavirus cases on Monday to 402, from less than 50 just over a week ago, sentiment towards the rand and other local assets is set to remain on the ropes. "The world is highly unpredictable, and we cannot know when foreign selling of (South African) assets will stop, nor how much economic damage we will end up inflicting on ourselves," Anchor Capital Chief Investment Officer Nolan Wapenaar said in a note. "However, what we do know is that common sense will once again prevail at some point."

President Cyril Ramaphosa has declared a national state of disaster and imposed measures such as travel bans to curb the spread of coronavirus. He is expected to address the nation later on Monday on new measures.

On the stock market, the JSE's Top-40 index closed down 4.43% at 34,696 points, while the broader all-share index fell 4.98% to 38,267 points. A host of firms saw their shares sink by more than 10% or 15% as the coronavirus sell-off hit local stocks. The banking sector led the fallers down 9.89%

Source: Thomson Reuters



Corona Tracker

GLOBAL CASES SOURCE - WORLD HEALTH ORGANIZATION			As of 23-Mar-2020	
	Cases		Deaths	
	Confirmed	New	Confirmed	New
Western Pacific Region	95,637	850	3,473	35
European Region	1,71,424	20,131	8,743	1,318
Eastern Mediterranean Region	25,375	1,706	1,741	145
Regions of the Americas	37,016	17,331	465	213
South-East Asia	1,776	519	58	13
African Region	990	251	23	3
Total	3,32,930	40,778	14,510	1,727

It should read 332,930 total cases.

Market Overview

MARKET INDICATORS (Thomson Reuters)		Tuesday, 24 March 2020			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	↓	6.10	-0.263	6.36	6.10
6 months	↓	6.55	-0.082	6.63	6.55
9 months	↓	6.63	-0.065	6.69	6.63
12 months	↓	6.67	-0.135	6.81	6.67
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	↓	6.89	-0.033	6.93	6.89
GC21 (BMK: R208)	↓	6.82	-0.150	6.97	6.82
GC22 (BMK: R2023)	↑	8.21	0.385	7.83	8.23
GC23 (BMK: R2023)	↑	9.08	0.385	8.69	9.09
GC24 (BMK: R186)	↑	11.34	0.635	10.70	11.32
GC25 (BMK: R186)	↑	11.52	0.635	10.88	11.50
GC27 (BMK: R186)	↑	12.09	0.635	11.45	12.07
GC30 (BMK: R2030)	↑	12.81	0.635	12.17	12.81
GC32 (BMK: R213)	↑	13.62	0.625	12.99	13.62
GC35 (BMK: R209)	↑	14.05	0.630	13.42	14.06
GC37 (BMK: R2037)	↑	14.21	0.630	13.58	14.21
GC40 (BMK: R214)	↑	14.46	0.610	13.85	14.46
GC43 (BMK: R2044)	↑	14.85	0.590	14.26	14.85
GC45 (BMK: R2044)	↑	14.99	0.590	14.40	14.99
GC50 (BMK: R2048)	↑	15.30	0.590	14.71	15.30
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	↑	1,553	3.70%	1,498	1,577
Platinum	↑	643	5.16%	611	657
Brent Crude	↑	27.0	0.19%	27.0	27.6
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	739	-7.87%	802	739
JSE All Share	↓	38,267	-4.98%	40,272	38,267
SP500	↓	2,237	-2.93%	2,305	2,237
FTSE 100	↓	4,994	-3.79%	5,191	4,994
Hangseng	↓	21,696	-4.86%	22,805	22,469
DAX	↓	8,741	-2.10%	8,929	8,741
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	8,178	-11.02%	9,191	8,178
Resources	↓	29,129	-2.89%	29,994	29,129
Industrials	↓	57,113	-3.23%	59,016	57,113
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	17.68	0.55%	17.59	17.68
N\$/Pound	↓	20.42	-0.25%	20.47	20.57
N\$/Euro	↑	18.96	0.81%	18.81	19.10
US dollar/ Euro	↑	1.072	0.25%	1.069	1.080
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↑	2.5	2.1	4.6	4.5
Prime Rate	↓	9.00	10.00	8.75	9.75
Central Bank Rate	↓	5.25	6.25	5.25	6.25

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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