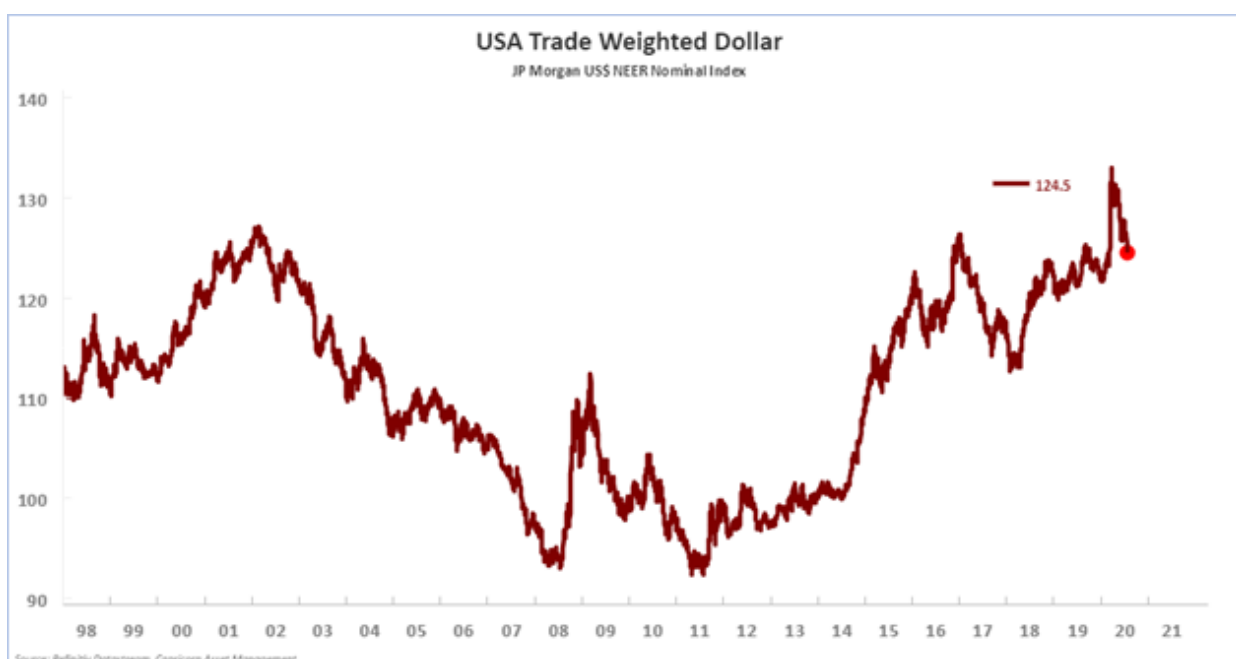




Market Update

Tuesday, 28 July 2020



Global Markets

Gold hurtled to record peaks on Tuesday before the sheer scale of its gains drew a burst of profit taking, which lifted the dollar from two-year lows and curbed early equity gains. The precious metal had stormed almost \$40 higher at one point to reach \$1,980 an ounce, only for a wave of selling to slap it back to \$1,947 in wild trade. Gold is still up over \$130 in little more than a week as investors' wager the Federal Reserve will reaffirm its super-easy policies at a policy meeting this week, and perhaps signal a tolerance for higher inflation in the long run.

"Fed officials have made clear that they will be making their forward guidance more dovish and outcome-based soon," wrote analysts at TD Securities. "The chairman is likely to continue the process of prepping markets for changes when he speaks at his press conference." One shift could be to average inflation targeting, which would see the Fed aim to push inflation above its 2% target to make up for years of under-shooting.

The pullback in gold took some steam out of stocks but MSCI's broadest index of Asia-Pacific shares outside Japan was still up 0.8%. Japan's Nikkei firmed 0.3% even as the yen held recent gains, while Chinese blue chips put on 0.6%. E-Mini futures for the S&P 500 edged up 0.1%, while EUROSTOXX

50 futures added 0.4% and FTSE futures 0.4%. The Dow had ended Monday up 0.43%, while the S&P 500 gained 0.74% and the Nasdaq 1.67%. That rise was again led by technology stocks as investors wagered on upbeat earnings reports due this week. Analysts also noted the falling dollar was a positive given that more than 40% of S&P 500 earnings come from abroad.

There were hopes some sort of stimulus extension could be hammered out as U.S. Senate Republicans raced to complete details of a \$1 trillion coronavirus aid proposal before enhanced unemployment benefits expire on Friday. The proposal could involve a cut in benefits to \$200 from \$600, which would be a big blow to household incomes and spending power. Aid is desperately needed given 30 million Americans are out of work and states are tightening social restrictions again, a trend that has also dragged on the U.S. dollar.

Alan Ruskin, head of G10 strategy at Deutsche Bank, noted currencies had been tracking the relative performance of their economies, so that high-ranked economic performance was associated with stronger currencies. "One clear pattern is how economies linked most tightly to China - including commodity producers as diverse as Australia, Chile and Brazil - have tended to perform better than economies most directly linked to the U.S., notably its NAFTA trading partners," said Ruskin.

Indeed, the dollar has been falling almost across the board in recent days, reaching a two-year trough on a basket of currencies at 93.416 before steadying at 93.793. The euro stood at \$1.1735, having hit its highest in two years at \$1.1781, while the dollar touched its lowest against the Swiss franc since mid-2015. The story was much the same against the Japanese yen, as the dollar touched a four-month trough at 105.10 before last trading at 105.55.

The trend reversal in the dollar combined with all the uncertainty over COVID-19 and the prevalence of negative real bond yields to light a fire under precious metals. Silver shot as far as \$26.16 at one point, the highest since April 2013, and a gain of a third in seven sessions. Oil prices also tend to benefit from a falling dollar but have been hampered by worries about demand as countries impose more travel restrictions. Brent crude futures edged up 5 cents to \$43.46 a barrel, while U.S. crude eased 7 cents to \$41.53.

Domestic Markets

South Africa's rand rallied more than 1% on Monday in a broad emerging market advance spurred by a sliding dollar as increasing U.S. coronavirus infections stalled demand for the reserve currency.

At 1620 GMT, the rand traded at 16.4250 per dollar, 1.38% firmer than its close on Friday.

The dollar crumbled on Monday as cracks in the U.S. economic recovery drove investors away from the world's reserve currency as they increased bets the Federal Reserve could flag another accommodative shift in its outlook this week.

"The rand is once again targeting the 16.50/\$ resistance level, aided by USD weakness as the gold price climbs on the scale of U.S. QE and the global yield seeking trend continues to fuel strength in the domestic currency," said chief economist at Investec Annabel Bishop.

The United States central bank, the Federal Reserve, meets on Tuesday and Wednesday. It could confirm recent hints about the benefits of an average inflation target, which would allow rates to stay lower for longer and benefit high-yielding assets.

The rand had suffered a selloff after the local central bank cut rates on Thursday while leaving the door open for further cuts.

By Friday it had slumped to a one-week low of 16.8075, but is seen by analysts strengthening this week as investor focus switches back to offshore events despite some key local data releases this week including consumer inflation and trade figures.

The Johannesburg Stock Exchange (JSE) reflected the upbeat mood and backing of higher gold prices with the FTSE/JSE All Share Index up 1.22% to end at 56,326 points while the FTSE/JSE Top 40 Companies Index ended up 1.28% to 51,914 points.

Government bonds also firmed, with the yield on the benchmark instrument due in 2030 was down 9.5 basis points to 9.155%.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		28-Jul-2020		4:46
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	16,501,453	214,398	653,095	9,334,297

There are only two forces in the world, the sword and the spirit. In the long run the sword will always be conquered by the spirit.

Napoleon Bonaparte

Market Overview

MARKET INDICATORS (Thomson Reuters)					28 July 2020																									
Money Market TB's																														
		Last close	Difference	Prev close	Current Spot																									
3 months	→	4.28	0.000	4.28	4.28																									
6 months	→	4.42	0.000	4.42	4.42																									
9 months	↑	4.57	0.009	4.56	4.57																									
12 months	↑	4.62	0.008	4.61	4.62																									
Nominal Bonds																														
		Last close	Difference	Prev close	Current Spot																									
GC21 (BMK: R208)	↓	3.96	-0.040	4.00	3.95																									
GC22 (BMK: R2023)	↓	5.82	-0.100	5.92	5.82																									
GC23 (BMK: R2023)	↓	5.80	-0.100	5.90	5.80																									
GC24 (BMK: R186)	↓	7.84	-0.095	7.94	7.84																									
GC25 (BMK: R186)	↓	7.89	-0.095	7.99	7.89																									
GC27 (BMK: R186)	↓	7.97	-0.095	8.07	7.97																									
GC30 (BMK: R2030)	↓	9.77	-0.075	9.84	9.77																									
GC32 (BMK: R213)	↓	10.47	-0.085	10.56	10.47																									
GC35 (BMK: R209)	↓	11.63	-0.100	11.73	11.63																									
GC37 (BMK: R2037)	↓	12.14	-0.120	12.26	12.14																									
GC40 (BMK: R214)	↓	12.41	-0.140	12.55	12.41																									
GC43 (BMK: R2044)	↓	13.09	-0.140	13.23	13.09																									
GC45 (BMK: R2044)	↓	13.26	-0.140	13.40	13.26																									
GC50 (BMK: R2048)	↓	13.27	-0.150	13.42	13.27																									
Inflation-Linked Bonds																														
		Last close	Difference	Prev close	Current Spot																									
GI22 (BMK: NCPI)	→	4.49	0.000	4.49	4.49																									
GI25 (BMK: NCPI)	→	4.49	0.000	4.49	4.49																									
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	↑	1,942	2.15%	1,901	1,945																									
Platinum	↑	945	3.40%	914	931																									
Brent Crude	↑	43.4	0.16%	43.3	43.5																									
Main Indices																														
		Last close	Change	Prev close	Current Spot																									
NSX Overall Index	↑	1,105	1.19%	1,092	1,105																									
JSE All Share	↑	56,326	1.22%	55,646	56,326																									
SP500	↑	3,239	0.74%	3,216	3,239																									
FTSE 100	↓	6,105	-0.31%	6,124	6,105																									
Hangseng	↓	24,603	-0.41%	24,705	24,733																									
DAX	↑	12,839	0.00%	12,838	12,839																									
JSE Sectors																														
		Last close	Change	Prev close	Current Spot																									
Financials	↑	10,371	0.78%	10,291	10,371																									
Resources	↑	57,210	3.09%	55,494	57,210																									
Industrials	↓	73,914	-0.01%	73,921	73,914																									
Forex																														
		Last close	Change	Prev close	Current Spot																									
N\$/US dollar	↓	16.42	-1.29%	16.63	16.45																									
N\$/Pound	↓	21.14	-0.59%	21.27	21.15																									
N\$/Euro	↓	19.29	-0.46%	19.38	19.30																									
US dollar/ Euro	↑	1.175	0.83%	1.165	1.174																									
<table border="0" style="width: 100%;"> <tr> <td></td> <td colspan="2" style="text-align: center;">Namibia</td> <td colspan="2" style="text-align: center;">RSA</td> </tr> <tr> <td>Economic data</td> <td style="text-align: center;">Latest</td> <td style="text-align: center;">Previous</td> <td style="text-align: center;">Latest</td> <td style="text-align: center;">Previous</td> </tr> <tr> <td>Inflation</td> <td style="text-align: center;">2.1</td> <td style="text-align: center;">1.6</td> <td style="text-align: center;">2.1</td> <td style="text-align: center;">3.0</td> </tr> <tr> <td>Prime Rate</td> <td style="text-align: center;">7.75</td> <td style="text-align: center;">8.00</td> <td style="text-align: center;">7.25</td> <td style="text-align: center;">7.75</td> </tr> <tr> <td>Central Bank Rate</td> <td style="text-align: center;">4.00</td> <td style="text-align: center;">4.25</td> <td style="text-align: center;">3.50</td> <td style="text-align: center;">3.75</td> </tr> </table>							Namibia		RSA		Economic data	Latest	Previous	Latest	Previous	Inflation	2.1	1.6	2.1	3.0	Prime Rate	7.75	8.00	7.25	7.75	Central Bank Rate	4.00	4.25	3.50	3.75
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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



For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na

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