



Market Update

Monday, 01 June 2020

Global Markets

Asian shares pushed to three-month highs on Monday as progress on opening up economies helped offset jitters over riots in U.S. cities and unease over Washington's power struggle with Beijing. There was also relief that while President Donald Trump began the process of ending special U.S. treatment for Hong Kong to punish China, he left their trade deal intact. "With specific and verifiable measures against China appearing to be weak, markets may draw hollow consolation that the U.S. is trading carefully," said analysts at Mizuho in a note.

After a cautious start Asian markets were led higher by China on signs parts of the domestic economy were picking up. Hong Kong managed to rally 3.6%, while Chinese blue chips put on 2.2%. An official business survey from China showed its factory activity grew at a slower pace in May but momentum in the services and construction sectors quickened. A private survey showed a return to growth in May, though exports remained depressed.

That helped lift MSCI's broadest index of Asia-Pacific shares outside Japan 2.1% to its highest since early March. Japan's Nikkei added 1.1% to also reach a three-month peak. E-Mini futures for the S&P 500 recovered to be up 0.1%, having been down 1% in early trade. EUROSTOXX 50 futures firmed 1.4% and FTSE futures 1.2%. The resilience was notable given major U.S. cities were cleaning up streets strewn with broken glass and burned out cars as curfews failed to stop confrontations between activists and law enforcement.

The turmoil was a fresh setback for the economy which was only just emerging from a downturn akin to the Great Depression. Following poor data on spending and trade out on Friday, the Atlanta Federal Reserve estimated economic output could drop a staggering 51% annualised in the second quarter. The May jobs report due out on Friday is forecast to show the unemployment rate surged to 19.8%, smashing April's record 14.7%. Payrolls are expected to drop by 7.4 million, on top of the 20.5 million jobs lost the previous month.

"Current unemployment numbers go far beyond what has been experienced in any post-war recession," wrote Barclays economist Christian Keller in a note. "To the extent that some sectors may never return to pre-pandemic business-as-usual, labour faces a substantial challenge to reallocate workers," he added. "Such a process could be a matter of years rather than months or quarters and in the meantime it would weigh on consumer demand."

Bond investors suspect economies will need massive amounts of central bank support long after they reopen and that is keeping yields super low even as governments borrow much more. Yields on U.S. 10-year notes were trading steady at 0.66% having recovered from a blip up to 0.74% last month when the market absorbed a tidal wave of new issuance. The decline in U.S. yields has been a burden for the dollar, but the world's reserve currency also tends to benefit from safe-haven status to limit the losses.

Early Monday, the dollar was 0.2% softer on a basket of peers at 98.018 having touched an 11-week low of 97.944 on Friday. It was steadier on the yen at 107.70. Much of the dollar's recent decline has come against the euro which has been broadly boosted by plans for an EU stimulus package. The single currency was last up at \$1.1131, after climbing 1.8% last week. Markets are awaiting a meeting of the European Central Bank on Thursday where it is widely expected to raise its asset buying by around 500 billion euros to 1.25 trillion.

In commodity markets, gold added 0.6% to \$1,1737 an ounce. Oil prices initially eased on worries about U.S. demand, but found support from reports Russia had no objection to the next meeting of OPEC and its allies being brought forward to June 4 from the following week. Brent crude futures were off 7 cents at \$37.77 a barrel, while U.S. crude was flat at \$35.49.

Source: Thomson Reuters

Domestic Markets

South Africa's rand weakened against the dollar early on Friday as investors waited to hear the latest U.S. response to China tightening its control over financial hub Hong Kong.

At 1515 GMT, the rand traded at 17.5510 per dollar, 0.48% weaker, stepping back from a nine-week best of 17.3000 it reached on Thursday on optimism over recovering global growth. Trade was cautious with risk takers on the fence ahead of an address by U.S. President Donald Trump on China.

The rand treaded water for most the session and but saw some selling late on after the trade balance for April swung to a large deficit as exports tumbled. The trade balance recorded a 35.02 billion rand (\$2.01 billion) deficit from a revised surplus of 23.94 billion rand in March, with exports down 55.1% on a month-on-month.

"As significant as this number is, in terms of its shock value, the market impact will likely be blunted by the fact that the cumulative deficit for Jan-April is still a lot more modest than at the same time last year," said Razia Khan, chief Africa economist at Standard Chartered. "As mining activity gradually ramps up, albeit with COVID-related disruptions, we expect export performance to improve, while demand – and imports – will remain weak," Khan said in a note.

Bonds were firmer, with the yield on the 10-year government bond was down 4 basis points at 8.895%. The Johannesburg Stock Exchange (JSE) followed emerging markets to close the week on a jittery note ahead of Trump's remarks. The benchmark FTSE/JSE all share index was down 1.76% to end the day at 50,483 points and the top 40 companies' index closed down 1.89% to 46,545 points.

Source: Thomson Reuters

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		01-Jun-2020		4:46
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	6,137,435	86,859	370,306	2,491,724

Market Overview

MARKET INDICATORS (Thomson Reuters)					01 June 2020
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	↓	4.53	-0.297	4.83	4.53
6 months	↓	4.95	-0.107	5.06	4.95
9 months	↓	5.05	-0.065	5.12	5.05
12 months	↓	5.13	-0.085	5.21	5.13
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↑	5.08	0.015	5.06	5.07
GC22 (BMK: R2023)	↓	5.67	-0.120	5.79	5.67
GC23 (BMK: R2023)	↓	6.53	-0.120	6.65	6.53
GC24 (BMK: R186)	↓	7.90	-0.055	7.95	7.90
GC25 (BMK: R186)	↓	8.08	-0.055	8.13	8.08
GC27 (BMK: R186)	↓	8.65	-0.055	8.70	8.65
GC30 (BMK: R2030)	↓	9.40	-0.065	9.46	9.40
GC32 (BMK: R213)	↓	10.41	-0.055	10.47	10.41
GC35 (BMK: R209)	↑	11.30	0.030	11.27	11.30
GC37 (BMK: R2037)	↑	11.65	0.040	11.61	11.65
GC40 (BMK: R214)	↑	11.95	0.130	11.82	11.95
GC43 (BMK: R2044)	↑	12.48	0.090	12.39	12.48
GC45 (BMK: R2044)	↑	12.62	0.090	12.53	12.62
GC50 (BMK: R2048)	↑	12.91	0.095	12.82	12.91
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	↑	1,726	0.45%	1,719	1,741
Platinum	⇒	838	0.00%	838	839
Brent Crude	↑	35.3	0.11%	35.3	37.6
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,002	-1.30%	1,016	1,002
JSE All Share	↓	50,483	-1.76%	51,389	50,483
SP500	↑	3,044	0.48%	3,030	3,044
FTSE 100	↓	6,077	-2.29%	6,219	6,077
Hangseng	↓	22,961	-0.74%	23,133	23,702
DAX	↓	11,587	-1.65%	11,781	11,587
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	9,729	-2.87%	10,016	9,729
Resources	↓	47,221	-0.16%	47,298	47,221
Industrials	↓	69,740	-2.68%	71,658	69,740
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	17.54	0.25%	17.50	17.54
N\$/Pound	↑	21.65	0.46%	21.55	21.73
N\$/Euro	↑	19.47	0.45%	19.38	19.53
US dollar/ Euro	↑	1.110	0.20%	1.108	1.114
Economic data		Namibia		RSA	
		Latest	Previous	Latest	Previous
Inflation	↓	1.6	2.4	4.1	4.6
Prime Rate	↓	8.00	9.00	7.75	8.75
Central Bank Rate	↓	4.25	5.25	4.25	5.25

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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