



Market Update

Thursday, 03 October 2019

Global Markets

Strong signals that a slowdown in global manufacturing intensified in September sent on Wednesday, as leading indices in Europe and the US retreated. In London the FTSE 100 rolled back all the gains made since mid-August as it dropped 237 points to 7,122, falling 3.2% in its biggest one-day fall since 2016. Extending the losses overnight on Asian markets, shares on continental European markets also experienced losses with the Paris CAC falling 3.1% to 5,422. The Dow Jones index in New York compounded its decline on Tuesday by falling close to 500 points on Wednesday, or 1.86%.

The trigger for the declines came from the latest batch of surveys to show manufacturers responding to a sharp fall in orders by cutting back production and jobs. That fall appears to be contributing to slowdown in hiring. ADP, the US's largest payroll supplier, said the US had added 135,00 new jobs in September. The three-month average is now 145,000 a month, down from 214,000 a year ago. The US government releases its latest job report on Friday and bad news could lead to further sell-offs.

On Tuesday, the country's manufacturers reported the biggest contraction in September since the end of the 2009 recession, reflecting a slowdown in the US and global economies made worse by the tit-for-tat trade war with China. Marking the lowest level of activity since June 2009, the Institute for Supply Management (ISM) said its manufacturing index fell to 47.8% last month from 49.1%. Of the 18 subcategories used by the ISM, only three reported growth in September. The news followed surveys across Europe that showed manufacturers have reduced the number of shifts and workers' hours.

UK factory output fell in September for the fifth month in a row to register the longest downturn since 2009, according to data released on Tuesday, despite a boost from firms stockpiling goods and materials to cope with a no-deal Brexit and the likelihood of border delays. The IHS Markit/Cips manufacturing purchasing managers' index (PMI) increased slightly to 48.3 from a six-and-a-half-year low of 47.4 in August, but remaining below the 50 mark that separates growth from contraction.

Investors were also spooked by forecasts from Refinitiv that showed companies across Europe were poised to report their worst quarterly earnings since the first quarter of 2018, mostly in response to uncertainty surrounding the UK's Brexit negotiations with Brussels. According to the data firm, companies featured on the Euro Stoxx 600 list are likely to post a 2.2% drop in third-quarter earnings

per share (EPS) – a key indicator of a company's financial prospects. EPS measures how much a company has generated in profit and can allocate to dividend payments.

A survey of UK construction on Wednesday only added to the gloom as builders in the commercial sector joined civil engineers and house builders in cutting back on new work. IHS Markit said construction companies were mothballing projects while they waited for the outcome of Brexit negotiations, pushing the industry index down to 43.3 in September, from 45 in August. Currency traders reacted by sending the pound down to \$1.22, 0.6% lower and back towards the \$1.20 mark last seen in August.

The World Trade Organization said the manufacturing slowdown was closely aligned with the continuing spat between the US and China over import tariffs that had dragged on for more than 18 months. It warned that the outbreak of tariff wars posed a threat to jobs and living standards as it slashed its forecast for trade growth during 2019. The Geneva-based WTO said it had more than halved its growth forecast for trade in goods this year from 2.6% to 1.2% after a summer of escalating US-China protectionism, a slowdown in global growth and fears of the impact of a no-deal Brexit.

Domestic Markets

South Africa's rand weakened for a second straight session on Wednesday, after dismal U.S. manufacturing data raised fears of a global recession and underscored the damaging effects of the prolonged trade war between Washington and Beijing. At 0630 GMT the rand was 0.26% weaker at 15.3750 per dollar from an open of 15.3300, extending losses for the month to nearly 1.7%.

Data on Tuesday showed U.S. factory activity shrank in September to its weakest in over a decade, ratcheting up fears that the U.S.-China trade war is hobbling the world's largest economy.

The figures followed equally weak euro zone factory data earlier in the week, with the rising chances of a global recession souring risk appetite as investors fled for safety.

Locally, South Africa's seasonally adjusted Absa Purchasing Managers' Index (PMI) sank to its lowest level in a decade in September, on weak demand linked to fears over slowing domestic and global growth.

With no major economic releases due in the session, the rand is expected to drift weaker, with the bearish backdrop expected to push the unit close to the 15.50 mark.

Bonds were flat, with the yield on the benchmark government issue due in 2026 steady at 8.355%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Thursday, 03 October 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	➡	7.06	0.000	7.06	6.96
6 months	➡	7.18	0.000	7.18	7.15
9 months	➡	7.35	0.000	7.35	7.28
12 months	➡	7.50	0.000	7.50	7.41
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	⬇	7.37	-0.003	7.37	7.37
GC21 (BMK: R2023)	➡	7.75	0.000	7.75	7.75
GC22 (BMK: R2023)	⬆	8.20	0.035	8.17	8.23
GC23 (BMK: R2023)	⬆	8.66	0.032	8.63	8.69
GC24 (BMK: R186)	⬆	8.93	0.030	8.90	8.96
GC25 (BMK: R186)	⬆	8.92	0.030	8.89	8.94
GC27 (BMK: R186)	⬆	9.08	0.030	9.05	9.11
GC30 (BMK: R2030)	⬆	9.65	0.025	9.62	9.67
GC32 (BMK: R213)	⬆	10.16	0.025	10.14	10.18
GC35 (BMK: R209)	⬆	10.50	0.020	10.48	10.52
GC37 (BMK: R2037)	⬆	10.61	0.020	10.59	10.63
GC40 (BMK: R214)	⬆	11.07	0.020	11.05	11.09
GC43 (BMK: R2044)	⬆	11.00	0.025	10.98	11.02
GC45 (BMK: R2044)	⬆	11.35	0.025	11.32	11.37
GC50 (BMK: R2048)	⬆	11.60	0.026	11.58	11.62
Inflation-Linked Bonds		Last close	Difference	Prev close	Current Spot
GI22 (BMK: NCPI)	➡	4.40	0.000	4.40	4.40
GI25 (BMK: NCPI)	➡	4.65	0.000	4.65	4.65
GI29 (BMK: NCPI)	➡	5.61	0.000	5.61	5.61
GI33 (BMK: NCPI)	➡	6.19	0.000	6.19	6.19
GI36 (BMK: NCPI)	➡	6.54	0.000	6.54	6.54
Commodities		Last close	Change	Prev close	Current Spot
Gold	⬆	1,499	1.40%	1,479	1,502
Platinum	⬆	887	1.20%	876	885
Brent Crude	⬇	57.7	-2.04%	58.9	57.5
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬇	1,227	-1.27%	1,243	1,227
JSE All Share	⬇	54,004	-1.71%	54,946	54,004
SP500	⬇	2,888	-1.79%	2,940	2,888
FTSE 100	⬇	7,123	-3.23%	7,360	7,123
Hangseng	⬇	26,043	-0.19%	26,092	25,888
DAX	⬇	11,925	-2.76%	12,264	11,925
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬇	15,281	-0.89%	15,418	15,281
Resources	⬇	43,027	-2.11%	43,954	43,027
Industrials	⬇	68,021	-2.22%	69,565	68,021
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬇	15.24	-0.46%	15.31	15.24
N\$/Pound	⬇	18.75	-0.51%	18.84	18.72
N\$/Euro	⬇	16.70	-0.20%	16.73	16.69
US dollar/ Euro	⬆	1.096	0.26%	1.093	1.095
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	⬆	3.7	3.6	4.3	4.0
Prime Rate	⬇	10.25	10.50	10.00	10.25
Central Bank Rate	⬇	6.50	6.75	6.50	6.75

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

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.

Source: Thomson Reuters



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