Market Update Friday, 04 October 2019

Global Markets

Asian stocks edged up on Friday, thanks to gains on Wall Street, but signs of widening cracks in the global economy curbed risk appetite as markets looked to a key U.S. job report that could determine whether the Federal Reserve cuts rates further. Investors have been caught out by a set of weak U.S. data this week, including surveys on services and manufacturing sectors, deepening fears the Sino-U.S. trade war is starting to hurt growth in the world's biggest economy. "We'll probably see a bounce in Asian shares, but then nervousness will creep into the markets as the day progresses," said Shane Oliver, head of investment strategy and chief economist at AMP Capital Investors in Sydney.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.4%. Japan's Nikkei stock index rose 0.22%and Australian shares rose 0.54%. The pan-region Euro Stoxx 50 futures were up 0.44%, German DAX futures 0.33% higher and FTSE futures advanced 0.69%. U.S. stock futures tacked on 0.1% on Friday, following a 0.80% increase in the S&P 500 on Wall Street overnight on hopes that future Fed rate cuts will support corporate profits. "The bounce on Wall Street is not a definitive sign. It's actually pessimistic for stocks that two-year yields are falling this much. It shows the bond market hasn't gotten on board with this positive growth story," AMP's Oliver said.

That sentiment was underscored by a frail performance for world stocks in recent weeks, hurt by political uncertainty in the United Stated and Hong Kong, geopolitical tensions in the Middle East, Brexit and a drumroll of weak global data. In Asia, excluding Japan, equities were on course for the third weekly decline, their worst performance since four weeks of declines ended Aug. 16. Japan's Nikkei was down 2.3% for the week, on course for its biggest weekly decline since Aug. 2, pressured by worries about trade friction and a resurgent yen. Hong Kong shares were down 0.4% and though they are on track for a 0.17% weekly gain, sentiment is fragile as the territory's government mulls emergency laws to contain months of often violent protest against China's rule of the former British colony.

U.S. Treasury prices fell slightly but two-year yields remained near the lowest in two years due to growing signs the United States is feeling an economic chill from its trade war with China. The dollar traded near a one-month low versus the yen, while it was stuck near a one-week trough versus the euro as traders increased bets that the Fed will have to cut rates further to keep growth in the U.S. economy on track.

Data due later on Friday are forecast to show the U.S. economy added 145,000 new jobs in September, more than an increase of 130,000 in the previous month. However, some traders are braced for a disappointing result after the surprisingly soft data earlier this week on U.S. manufacturing, job creation, and the services sector.

The two-year yield, which tracks expectations for U.S. monetary policy, rose slightly to 1.3956% in Asia but was still close to a two-year low of 1.3680%. Traders see a 85.2% chance the Fed will cut rates by 25 basis points to 1.75%-2.00% in October, up from 39.6% on Monday, according to CME Group's FedWatch tool. The Fed has already cut rates twice this year as policymakers try to limit the damage caused by the bruising Sino-U.S. trade war.

The dollar edged down to 106.81 yen, close to a one-month low of 106.48 yen reached on Thursday. The euro was a shade higher at $1.0974, near a one-week high. For the week, the dollar was down 1.04% versus the yen and off 0.3% against the common currency.

U.S. crude rose 0.63% to $52.78 a barrel, while Brent crude rose 0.54% to $58.02 per barrel. U.S. Oil futures on Thursday touched the lowest in nearly two months as the weak U.S. economic data heightened concerns that excess supplies will push prices lower. For the week, U.S. crude futures were on course for a 5.6% decline, which would be the worst performance since July 19.

Spot gold, a safe-haven asset that investors often buy during times of heightened risk, rose 0.2% to $1,507.77 per ounce, on course for a 0.75% weekly gain.

Domestic Markets

South Africa's rand firmed on Thursday thanks to a weaker dollar, as investors fretted that weakness in the U.S. manufacturing and service sectors could herald a slowdown in the world's largest economy. At 1610 GMT, the rand was 0.98% firmer at 15.1400.

The dollar fell as weak U.S. data deepened concerns over economic growth and bolstered bets for further interest rate cuts by the Federal Reserve. Lower U.S. interest rate expectations lift investors' appetite for emerging markets assets, which offer higher returns but carry more risk.

Investors will now be eyeing the U.S. non-farm payrolls release on Friday.

Stocks on the other hand suffered as a result of the negative sentiment. The Johannesburg Stock Exchange's All-Share Index fell 0.51% to 53,727 points, while the blue-chip Top-40 Index shed 0.54% to 47,743 points.

Gold stocks were on the up as investors sought a safe haven. Anglo American Platinum rose 6.47% to 1057.5 rand, followed by AngloGold Ashanti, up 3% to 303 rand, and Sibanye Gold, which closed 2.8% higher at 23.51 rand. Impala Platinum and Goldfields also benefited.

In fixed income, the yield on the benchmark government bond due in 2026 fell 3.5 basis point to 8.245%.

Source: Thomson Reuters

Market Overview

MARKET INDICATORS (Thomson Reuters)		Friday, 04 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	-0.001	7.37	7.37
GC21 (BMK: R2023)	➔	7.75	0.000	7.75	7.75
GC22 (BMK: R2023)	↑	8.23	0.025	8.20	8.17
GC23 (BMK: R2023)	↑	8.69	0.025	8.66	8.63
GC24 (BMK: R186)	↑	8.96	0.025	8.93	8.90
GC25 (BMK: R186)	↑	8.94	0.025	8.92	8.88
GC27 (BMK: R186)	↑	9.11	0.025	9.08	9.05
GC30 (BMK: R2030)	↑	9.67	0.020	9.65	9.55
GC32 (BMK: R213)	↑	10.18	0.015	10.16	10.12
GC35 (BMK: R209)	↑	10.52	0.020	10.50	10.49
GC37 (BMK: R2037)	↑	10.63	0.020	10.61	10.57
GC40 (BMK: R214)	↑	11.09	0.020	11.07	11.05
GC43 (BMK: R2044)	↑	11.02	0.020	11.00	10.95
GC45 (BMK: R2044)	↑	11.37	0.020	11.35	11.42
GC50 (BMK: R2048)	↑	11.62	0.019	11.60	11.69
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	↑	1,505	0.37%	1,499	1,508
Platinum	↑	890	0.42%	887	884
Brent Crude	↑	57.7	0.03%	57.7	57.9
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	↓	1,221	-0.52%	1,227	1,221
JSE All Share	↓	53,727	-0.51%	54,004	53,727
SP500	↑	2,911	0.80%	2,888	2,911
FTSE 100	↓	7,078	-0.63%	7,123	7,078
Hangseng	↑	26,110	0.26%	26,043	25,670
DAX	➔	11,925	0.00%	11,925	11,925
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	↓	15,242	-0.26%	15,281	15,242
Resources	↓	42,731	-0.69%	43,027	42,731
Industrials	↓	67,619	-0.59%	68,021	67,619
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	↓	15.15	-0.61%	15.24	15.14
N$/Pound	↓	18.67	-0.38%	18.75	18.70
N$/Euro	↓	16.61	-0.56%	16.70	16.62
US dollar/ Euro	↑	1.096	0.05%	1.096	1.098
		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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