



Market Update

Monday, 06 January 2020

Global Markets

A gauge of Asian shares was toppled from an 18-month top on Monday as heightened Middle East tensions sent investors scurrying for the safety of gold, which hit a near seven-year high while oil jumped to four-month peaks. The United States detected a heightened state of alert by Iran's missile forces, as President Donald Trump warned the U.S. would strike back, "perhaps in a disproportionate manner," if Iran attacked any American person or target. Iraq's parliament on Sunday recommended all foreign troops be ordered out of the country after the U.S. killing of a top Iranian military commander and an Iraqi militia leader.

Spot gold surged 1.5% to \$1,579.55 per ounce in jittery trade and reached its highest since April 2013. Oil prices added to their gains on fears any conflict in the region could disrupt global supplies. Brent crude futures rose \$1.46 to \$70.06 a barrel, while U.S. crude climbed \$1.17 to \$64.22.

"The risk of further escalation has clearly gone up - given the direct attack on Iran, Iran's threat of retaliation and Trump's desire to look tough - posing the threat of higher oil prices," said Shane Oliver, chief economist at AMP Capital. "Historically though oil prices need to double to pose a severe threat to global growth and we are long way from that."

MSCI's broadest index of Asia-Pacific shares outside Japan slipped 0.7%. Japan's Nikkei slid almost 2% in a sour return from holiday, while E-Mini futures for the S&P 500 fell 0.5% in very choppy trade. Chinese shares opened in the red too, with the blue-chip CSI300 index off a shade while Australian shares were off 0.4%.

"Geopolitical tensions look like remaining elevated in coming days, so lending support to oil prices and keeping risk asset markets on the defensive," said Ray Attrill, head of FX strategy at National Australia Bank.

Sovereign bonds benefited from the safety bid with yields on 10-year Treasuries down at 1.769% having fallen 10 basis points on Friday. Treasury futures gained 5-1/2 ticks.

In currency markets, the Japanese yen remained the favoured safe harbour courtesy of Japan's massive holdings of foreign assets. Investors assume Japanese funds would repatriate their money during a true global crisis, pushing the yen higher. On Monday, the dollar was last at 107.98 yen, after falling to a three-month trough of 107.78 earlier in the session. The euro likewise eased to

120.55 yen having hit a three-week low. The dollar was steadier against the other majors, with the euro little changed at \$1.1161. Against a basket of currencies, the dollar was holding at 96.86. The risk sensitive currencies of Australia and New Zealand were on track for their fourth straight session of losses.

Source: Thomson Reuters

Domestic Markets

South Africa's rand slumped against the U.S. dollar on Friday, as investors dumped risky assets after a U.S. air strike in Iraq killed a top Iranian military commander.

The move in the rand, which some investors use as a proxy for emerging market (EM) risk, was sharper than in other EM units because of strong rand gains in recent weeks, traders said. By 1515 GMT the rand was 1% weaker than its previous close at 14.2350 to the dollar, its softest level since Dec. 24.

Other EM currencies like the Russian rouble and Turkish lira also fell on news that the U.S. air strike had killed senior Iranian military official Qassem Soleimani, stoking tensions in the Middle East and sending the price of oil higher.

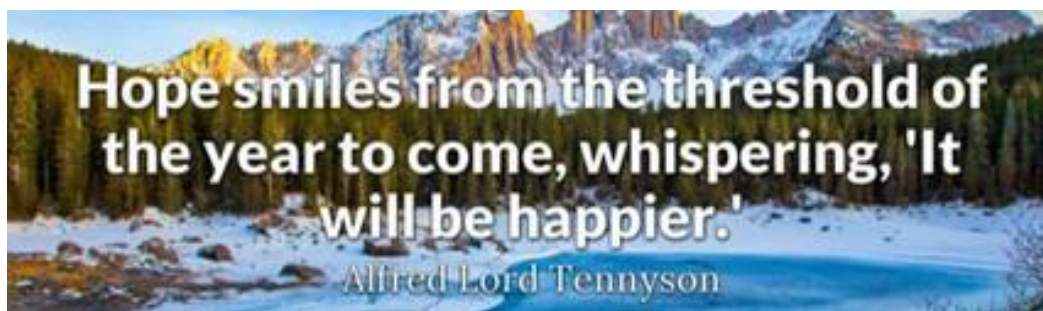
"It's very thin liquidity here and the big move is really off of what's happened in the Middle East," said Jan Sluis-Cremer, a senior forex trader at Rand Merchant Bank. "It's all being driven by these offshore events, we've seen very little going through here domestically."

Wichard Cilliers, chief currency dealer at TreasuryOne, said: "The rand was one of the best-performing currencies beforehand, and that's why it's given back quite a bit of ground now."

Government bonds weakened, with the yield on the benchmark 2026 bond up 5 basis points to 8.26%.

Stocks on the local bourse were mixed. The Johannesburg Stock Exchange's Top-40 Index ended up 0.19% at 51,536 points, while the All-Share Index rose 0.16% to 57,810 points. Consumer cyclicals and financial firms fell, but a higher spot gold price on the Middle East tensions boosted miners of the precious metal. AngloGold Ashanti was among the biggest gainers, its shares rising around 5.8%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Monday, 06 January 2020			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	⇒	7.04	0.000	7.04	7.04
6 months	⇒	7.44	0.000	7.44	7.44
9 months	⇒	7.70	0.000	7.70	7.70
12 months	⇒	7.81	0.000	7.81	7.81
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	↑	7.39	0.070	7.32	7.42
GC21 (BMK: R2023)	↑	7.97	0.005	7.96	7.97
GC22 (BMK: R2023)	↑	8.21	0.035	8.17	8.22
GC23 (BMK: R2023)	↑	8.31	0.035	8.27	8.32
GC24 (BMK: R186)	↑	8.88	0.050	8.83	8.89
GC25 (BMK: R186)	↑	8.91	0.050	8.86	8.92
GC27 (BMK: R186)	↑	9.46	0.050	9.41	9.47
GC30 (BMK: R2030)	↑	9.95	0.055	9.89	9.95
GC32 (BMK: R213)	↑	10.22	0.060	10.16	10.22
GC35 (BMK: R209)	↑	10.69	0.055	10.64	10.69
GC37 (BMK: R2037)	↑	10.87	0.055	10.82	10.87
GC40 (BMK: R214)	↑	11.20	0.060	11.14	11.21
GC43 (BMK: R2044)	↑	11.37	0.060	11.31	11.38
GC45 (BMK: R2044)	↑	11.57	0.060	11.51	11.58
GC50 (BMK: R2048)	↑	11.90	0.055	11.84	11.90
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)	⇒	5.72	0.000	5.72	5.72
GI33 (BMK: NCPI)	⇒	6.25	0.000	6.25	6.25
GI36 (BMK: NCPI)	⇒	6.46	0.000	6.46	6.46
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,551	1.48%	1,529	1,575
Platinum	↑	980	0.20%	979	989
Brent Crude	↑	68.6	3.55%	66.3	70.2
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,310	-0.60%	1,318	1,310
JSE All Share	↑	57,810	0.16%	57,718	57,810
SP500	↓	3,235	-0.71%	3,258	3,235
FTSE 100	↑	7,622	0.24%	7,604	7,622
Hangseng	↓	28,452	-0.32%	28,544	28,102
DAX	↓	13,219	-1.25%	13,386	13,219
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	15,702	-0.56%	15,790	15,702
Resources	↑	50,201	1.05%	49,678	50,201
Industrials	↓	70,395	-0.08%	70,449	70,395
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	14.29	1.71%	14.05	14.33
N\$/Pound	↑	18.70	1.26%	18.47	18.75
N\$/Euro	↑	15.95	1.61%	15.70	15.99
US dollar/ Euro	↓	1.116	-0.11%	1.117	1.116
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↓	2.5	3.0	3.6	3.7
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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