



Market Update

Tuesday, 07 January 2020

Global Markets

Asian shares rebounded on Tuesday as a day passed without any new escalation in the Middle East and Wall Street erased early losses to end in the black as tech stocks climbed.

Oil surrendered hefty gains as some speculated Iran would be unlikely to strike against the United States in a way that would disrupt supplies, and its own crude exports. Brent crude futures fell 54 cents to \$68.37 a barrel, having been as high as \$70.74 on Monday, while U.S. crude dropped 44 cents to \$62.83.

Gold also retreated to \$1,557.54 an ounce, after scaling a near seven-year peak of \$1,579.72 overnight.

Equities went the other way as MSCI's broadest index of Asia-Pacific shares outside Japan added 0.6%, recouping almost all of Monday's losses. Japan's Nikkei rallied 1.3% and Shanghai blue chips advanced 0.5%. E-Mini futures for the S&P 500 firmed 0.1%, while EUROSTOXX 50 futures rose 0.4%. Shares had fallen sharply on Monday as Iran and the United States traded threats after an U.S. air strike killed a top Iranian commander.

The mood calmed a little as the session passed with no new aggression. Instead there was much confusion when the U.S. military wrote to Iraq on Monday saying it would pull out of the country, a letter seen by Reuters showed. Yet U.S. Defence Secretary Mark Esper told Pentagon reporters that no decision had been made and the military said the letter was only a poorly worded draft.

Wall Street chose to hope for the best and the Dow rose 0.24%, while the S&P 500 gained 0.35% and the Nasdaq 0.56%.

Surveys of service sectors out overnight showed an improvement in the United States, UK and EU, stirring speculation the closely-watched ISM measure of U.S. services due later Tuesday will also show strength. "We think the longest U.S. expansion on record still has plenty of legs," said Tom Porcelli, chief U.S. economist at RBC Capital Markets. "To be sure, Iran adds an additional layer of complexity." "But while the risk of conflict has increased, the reality is this is likely to be limited to proxy skirmishes," he argued. "The risk of a "hot" conflict seems low as Iran is unlikely to respond in such a way that risks a significant escalation from the United States."

The calmer mood saw the yen lose much of its safe-haven gains, with the dollar bouncing to 108.42 yen from a low of 107.75 hit on Monday. The euro edged up to \$1.1195, but faces stiff chart

resistance around \$1.1240, while sterling made gains to \$1.3172 on better economic data at home. Against a basket of currencies, the dollar had drifted off to 97.645 but stayed above the recent six-month trough of 96.355.

Source: Thomson Reuters

Domestic Markets

South Africa's rand rebounded slightly in late trade on Monday after a steep fall last week, joining some other emerging market currencies in paring some losses even as Iran and the United States traded threats. At 1557 GMT, the rand was trading at 14.2290 per dollar, 0.5% stronger than its New York close on Friday.

Cristian Maggio, head of emerging markets strategy at TD Securities, said there was no obvious reason for the rand or other emerging market currencies, such as the Czech crown or Mexican peso, to strengthen. "I think today is just a technical rebound," Maggio said. "There's nothing really new that has happened and perhaps the market is taking a chance to take a contrarian view, in the short term at least."

The rand sank against the dollar last week as investors fretted that the killing of Iran's most prominent military commander by the United States could trigger a broader Middle East conflict, prompting them to dump riskier assets. The currency also started Monday weaker following the resumption of power cuts at South Africa's struggling state utility Eskom.

The state-run electricity firm is battling to keep the lights on in Africa's most industrialised economy, and its fragility is one of the biggest challenges for President Cyril Ramaphosa and his bid to revive growth.

Stocks however continued to struggle as markets waited to see how the situation in the Middle East would unfold. U.S. President Donald Trump has warned of a "major retaliation" should Tehran strike back, while Iran's replacement commander vowed to expel the United States from the region.

The Johannesburg Stock Exchange's Top-40 index closed down 1.04% at 50,999 points, while the broader All-Share index fell by the same amount to 57,195 points.

Gold stocks were however among only a handful of firms on the blue-chip index to rise, as a retreat to safe-haven assets pushed the gold price to its highest since 2013. Producers Sasol and Goldfields topped the index, up 2% and 0.7% respectively, with Anglo American Platinum rising 0.3%.

In fixed income, the yield on the government bond due in 2026 was down 1 basis point at 8.25%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Tuesday, 07 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	⬆	7.45	0.008	7.44	7.45
9 months	➡	7.70	0.000	7.70	7.70
12 months	⬆	7.83	0.017	7.81	7.83
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	⬆	7.42	0.025	7.39	7.42
GC21 (BMK: R2023)	⬇	7.93	-0.040	7.97	7.97
GC22 (BMK: R2023)	⬇	8.18	-0.025	8.21	8.18
GC23 (BMK: R2023)	⬇	8.28	-0.025	8.31	8.28
GC24 (BMK: R186)	⬇	8.87	-0.010	8.88	8.85
GC25 (BMK: R186)	⬇	8.90	-0.010	8.91	8.88
GC27 (BMK: R186)	⬇	9.45	-0.010	9.46	9.43
GC30 (BMK: R2030)	⬇	9.92	-0.030	9.95	9.90
GC32 (BMK: R213)	⬇	10.18	-0.035	10.22	10.16
GC35 (BMK: R209)	⬇	10.67	-0.025	10.69	10.65
GC37 (BMK: R2037)	⬇	10.85	-0.025	10.87	10.83
GC40 (BMK: R214)	⬇	11.18	-0.025	11.20	11.16
GC43 (BMK: R2044)	⬇	11.35	-0.015	11.37	11.33
GC45 (BMK: R2044)	⬇	11.55	-0.015	11.57	11.53
GC50 (BMK: R2048)	⬇	11.89	-0.010	11.90	11.87
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	⬆	1,566	0.93%	1,551	1,566
Platinum	⬇	963	-1.78%	980	974
Brent Crude	⬆	68.9	0.45%	68.6	68.3
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬇	1,292	-1.38%	1,310	1,292
JSE All Share	⬇	57,195	-1.06%	57,810	57,195
SP500	⬆	3,246	0.35%	3,235	3,246
FTSE 100	⬇	7,575	-0.62%	7,622	7,575
Hangseng	⬇	28,226	-0.79%	28,452	28,334
DAX	⬇	13,127	-0.70%	13,219	13,127
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬇	15,338	-2.32%	15,702	15,338
Resources	⬇	50,038	-0.33%	50,201	50,038
Industrials	⬇	69,707	-0.98%	70,395	69,707
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬇	14.19	-0.67%	14.29	14.18
N\$/Pound	⬇	18.70	-0.01%	18.70	18.67
N\$/Euro	⬇	15.90	-0.31%	15.95	15.87
US dollar/ Euro	⬆	1.119	0.31%	1.116	1.119
		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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