



Market Update

Monday, 07 October 2019

Global Markets

Asian shares edged higher on Monday after data showed the U.S. unemployment rate dropped to the lowest in almost 50 years, easing concerns of a slowdown in the world's largest economy.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.18%. Australian shares were up 0.5%. Japan's Nikkei stock index opened higher but reversed course and fell 0.3%. U.S. stock futures fell 0.44% in Asia on Monday after the S&P 500 surged 1.4% on Friday. The offshore yuan fell 0.3% to 7.1352 to the dollar after Bloomberg reported that Chinese officials are signalling they are increasingly reluctant to agree to a broad trade deal pursued by U.S. President Donald Trump. There was no onshore yuan trading, as Monday is the last day of a long China holiday for its national day. The media report also pushed up safe-haven assets such as gold and the yen.

Crude oil futures extended declines in a sign that investors remain cautious about a resolution to the trade dispute. Sentiment toward the U.S. economy deteriorated sharply much of last week after disappointing data on manufacturing and services suggested the trade war was taking a toll, and more rate cuts would be needed to avert a potential recession in the world's biggest economy. But a modest September increase in U.S. jobs, announced on Friday, eased some of these concerns and lifted U.S. markets that day. The U.S. unemployment rate fell to 3.5% in September to reach the lowest since December 1969. Non-farm payrolls also grew in September, but slightly less than expected.

"Moderate job growth and subdued inflation in the United States is a positive for stocks," said Shusuke Yamada, head of FX and Japan equity strategy at Merrill Lynch Japan Securities in Tokyo. This week, the main focus will be the high-level U.S.-China trade negotiations expected in Washington on Oct. 10-11 to see if the two sides can end a bruising year-long trade war that has hurt global growth and raised the risk of recession. "The dollar is a little soft heading into U.S.-China trade talks," said Yamada. "I see some scope for yen gains, but it is not likely to be a big move higher."

The United States and China have slapped tariffs on each other's goods as part of a long-running dispute over Beijing's trading practices, which Washington says are unfair. Central banks around the world have been easing policy to try to offset the impact of the trade war. The Federal Reserve has lowered interest rates twice this year. Before the jobs report, traders saw a 85.2% chance the Fed

will cut rates by 25 basis points to 1.75%-2.00% this month, but that chance has now fallen to 81.1%, according to CME Group's FedWatch tool.

The yield on benchmark 10-year Treasury notes rose to 1.5238% on Monday compared with its U.S. close of 1.5140% on Friday. Spot gold, an asset often bought during times of uncertainty, rose 0.15% to \$1,506.93 per ounce. The yen, also considered a safe-haven asset, edged slightly higher to 106.83 versus the U.S. dollar and gained to 72.17 per Australian dollar. U.S. crude dipped 0.21% to \$52.7 a barrel. Brent crude fell 0.39% to \$58.13 per barrel. In addition to worries about the global economy, signs of oversupply in the oil market are weighing on futures prices.

Political instability in Hong Kong could hurt market sentiment after China's army took the unusual step of issuing warnings to anti-government protesters in Hong Kong over the weekend. Hong Kong's stock market is closed on Monday for a public holiday. Trading will resume on Tuesday. Four months of often violent protests against Chinese rule has pushed the former British colony to the brink of recession and posed a serious challenge to Beijing's control of the city.

Domestic Markets

South Africa's rand rose on Friday, lifted by improved appetite for riskier currencies amid steady U.S. jobs growth. At 1615 GMT, the rand was 0.8% firmer than its previous close at 15.04 per U.S. dollar.

Global investor sentiment was dented this week by poor U.S. economic data which also fed through into the rand, which some traders use as a proxy for emerging market risk.

But U.S. jobs data on Friday suggested the outlook for the world's largest economy may not be as bad as some had feared. In the absence of local data releases, that was enough to lift South African assets.

The yield on South Africa's benchmark 2026 government bond fell 6 basis points to 8.185%, reflecting a higher bond price.

Stocks were up, with the Johannesburg Stock Exchange's All-Share Index rising 0.5% to 53,993 points and the blue-chip Top-40 Index closing 0.48% higher at 47,975 points. Financials and other sectors that benefit from positive economic sentiment were the biggest winners, with mobile operators MTN, banks, such as FirstRand and retailers, including Shoprite leading the index higher.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Monday, 07 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	7.14
9 months	➔	7.35	0.000	7.35	7.28
12 months	➔	7.50	0.000	7.50	7.40
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)	⬇	8.13	-0.100	8.23	8.13
GC23 (BMK: R2023)	⬇	8.59	-0.100	8.69	8.59
GC24 (BMK: R186)	⬇	8.86	-0.100	8.96	8.86
GC25 (BMK: R186)	⬇	8.84	-0.100	8.94	8.84
GC27 (BMK: R186)	⬇	9.01	-0.100	9.11	9.01
GC30 (BMK: R2030)	⬇	9.51	-0.152	9.67	9.51
GC32 (BMK: R213)	⬇	10.11	-0.069	10.18	10.11
GC35 (BMK: R209)	⬇	10.45	-0.062	10.52	10.45
GC37 (BMK: R2037)	⬇	10.53	-0.100	10.63	10.53
GC40 (BMK: R214)	⬇	11.02	-0.069	11.09	11.02
GC43 (BMK: R2044)	⬇	10.92	-0.100	11.02	10.92
GC45 (BMK: R2044)	⬆	11.39	0.029	11.37	11.39
GC50 (BMK: R2048)	⬆	11.66	0.037	11.62	11.66
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	⬇	1,504	-0.03%	1,505	1,506
Platinum	⬇	877	-1.54%	890	879
Brent Crude	⬆	58.4	1.14%	57.7	58.4
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬆	1,234	1.10%	1,221	1,234
JSE All Share	⬆	53,994	0.50%	53,727	53,994
SP500	⬆	2,952	1.42%	2,911	2,952
FTSE 100	⬆	7,155	1.10%	7,078	7,155
Hangseng	⬇	25,821	-1.11%	26,110	25,821
DAX	⬆	12,013	0.73%	11,925	12,013
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬆	15,443	1.32%	15,242	15,443
Resources	⬇	42,651	-0.19%	42,731	42,651
Industrials	⬆	68,001	0.57%	67,619	68,001
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬇	15.02	-0.84%	15.15	15.04
N\$/Pound	⬇	18.52	-0.81%	18.67	18.52
N\$/Euro	⬇	16.49	-0.73%	16.61	16.50
US dollar/ Euro	⬆	1.098	0.11%	1.096	1.098
Economic data		Namibia		RSA	
		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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