



Market Update

Wednesday, 08 January 2020

Global Markets

Financial markets were roiled on Wednesday after Iran fired missiles at U.S. forces in Iraq, sending Asian stocks and U.S. Treasury yields sliding and sharply lifting oil prices as investors feared a wider conflict in the Middle East. Iran's missile attacks on the Ain Al-Asad air base and another in Erbil, Iraq, early Wednesday came hours after the funeral of an Iranian commander whose killing in a U.S. drone strike has intensified tensions in the region.

By late morning in Asia, however, equities had trimmed losses, the yen had stabilised somewhat and U.S. bonds tempered their rally as investors paused for breath, and as a U.S. official said the United States was not aware of any casualties from the strikes. "We are getting exaggerated moves but that's of course volatility playing. Markets simply hate uncertainty. It's an old adage but it definitely holds true in the current situation - markets can price risks but they can't price uncertainty," said James McGlew, executive director of corporate stockbroking at Argonaut in Perth.

U.S. President Donald Trump said in a tweet late on Tuesday that an assessment of casualties and damage from the strikes was under way and that he would make a statement on Wednesday morning.

MSCI's broadest index of Asia-Pacific shares outside Japan was down 0.47% around 0400 GMT, having dropped more than 1% earlier in the day. China's blue-chip CSI300 index was 0.48% lower. Japan's Nikkei was down 1.2%, also paring earlier losses of over 2%, while Australian shares clawed back from a more-than-1% drop to shed just 0.14%. U.S. S&P500 e-mini stock futures, which had earlier dropped nearly 1.7%, were down 0.26%.

Rob Carnell, Asia-Pacific chief economist at ING in Singapore, said possible further escalation of tensions between Iran and the United States could still provoke a prolonged negative market reaction. "If you see U.S. treasuries rallying a bit this morning, expect them to rally quite a bit further should there be a forceful response from the United States, which I'd imagine there would be...from a market perspective I think this one could run and run," he said.

The yield on benchmark 10-year U.S. Treasury notes last stood at 1.7899%, down from a U.S. close of 1.825% on Tuesday, but up from session lows. U.S. 10-year Treasury futures had earlier peaked at their highest level since November, and were last up 0.24%. The two-year yield fell to 1.5223% compared with a U.S. close of 1.546%.

The yen, which had hit its strongest point against the greenback since October in morning trade, gave up nearly all its gains midday in Japan. The U.S. currency was last down just 0.06% against the yen at 108.35. The euro was up 0.03% to buy \$1.1154 and the dollar index, which measures the greenback against six major peers, was 0.10% lower at 96.909.

In commodity markets, global benchmark Brent crude futures shot back above \$70 per dollar to their highest level since mid-September, but were last up 1.61% at \$69.37 per barrel. U.S. crude added 1.5% to \$63.64 a barrel. Gold also fell below a key psychological level as initial fears eased. The precious metal was 1% higher on the spot market at \$1,590.21 per ounce, having earlier blasted through \$1,600. Analysts said markets will be closely watching for confirmation of any U.S. casualties from Iran's strikes.

"If it does look like we've got U.S. casualties, then I don't think Trump is going to just stand back and take that," said Matt Simpson, a senior market analyst at Gain Capital in Singapore. "World War III has been thrown around. I don't think we're there yet. But it does look like Iraq II."

Reports of the attack threw the market off balance after better-than-expected data in the U.S. non-manufacturing sector helped to lift the dollar overnight. The Institute for Supply Management said its non-manufacturing activity index rose to 55.0 last month from 53.9 in November, indicating a faster rate of expansion.

Shares on Wall Street had nonetheless fallen on Tuesday amid worries over U.S.-Iran tensions. The Dow Jones Industrial Average fell 0.42%, the S&P 500 lost 0.28% and the Nasdaq Composite dropped 0.03%.

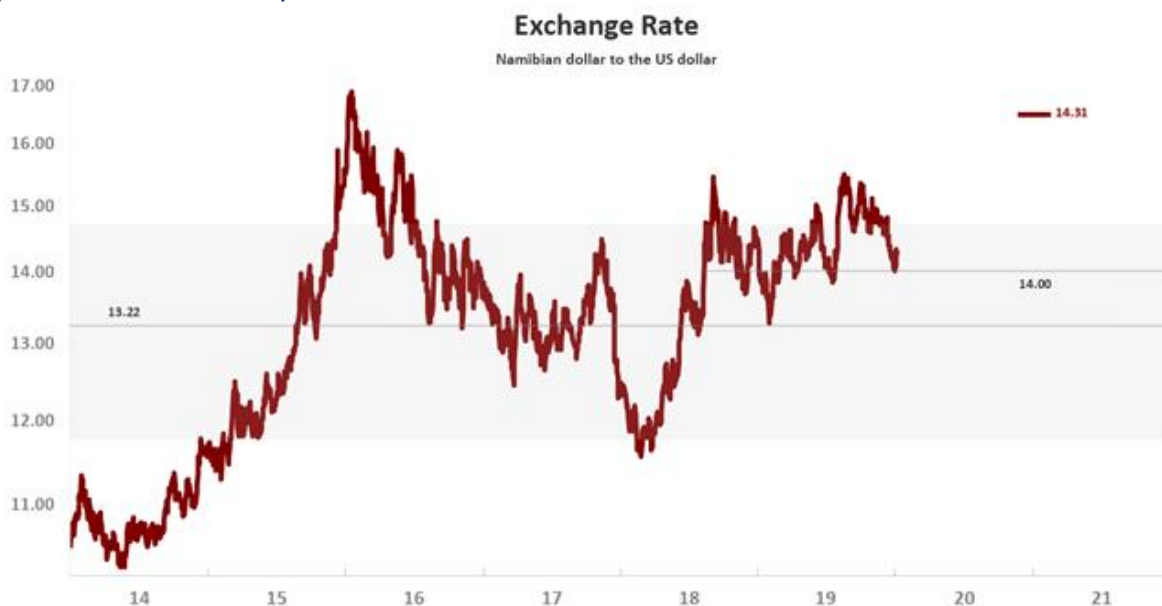
Source: Thomson Reuters

Domestic Markets

South Africa's rand firmed in early trade on Tuesday as emerging markets drew relief from the absence of any immediate escalation in tensions other than sabre-rattling between Iran and the United States.

By 0600 GMT, the rand traded at 14.1900 per dollar, 0.15% stronger than its previous close. In the absence of local catalysts, the rand was set to look to global events for direction. Fears of a fresh conflict in the oil-rich Middle East have kept markets on the edge following the killing of Tehran's top general in a U.S. drone strike last week.

In fixed income, the yield on the benchmark government bond due in 2026 was down 2.5 basis points to 8.225% in early trade.



Market Overview

MARKET INDICATORS (Thomson Reuters)		Wednesday, 08 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	0.000	7.45	7.45
9 months	➡	7.70	0.000	7.70	7.70
12 months	⬇	7.82	-0.010	7.83	7.82
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	⬇	7.39	-0.025	7.42	7.39
GC21 (BMK: R2023)	⬆	7.97	0.045	7.93	7.97
GC22 (BMK: R2023)	➡	8.18	0.000	8.18	8.20
GC23 (BMK: R2023)	➡	8.28	0.000	8.28	8.30
GC24 (BMK: R186)	⬆	8.89	0.015	8.87	8.91
GC25 (BMK: R186)	⬆	8.92	0.015	8.90	8.94
GC27 (BMK: R186)	⬆	9.47	0.015	9.45	9.49
GC30 (BMK: R2030)	⬆	9.95	0.030	9.92	9.97
GC32 (BMK: R213)	⬆	10.21	0.030	10.18	10.23
GC35 (BMK: R209)	⬆	10.69	0.025	10.67	10.72
GC37 (BMK: R2037)	⬆	10.87	0.020	10.85	10.89
GC40 (BMK: R214)	⬆	11.20	0.025	11.18	11.23
GC43 (BMK: R2044)	⬆	11.38	0.025	11.35	11.40
GC45 (BMK: R2044)	⬆	11.58	0.025	11.55	11.60
GC50 (BMK: R2048)	⬆	11.91	0.025	11.89	11.93
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	⬆	1,574	0.51%	1,566	1,591
Platinum	⬆	971	0.82%	963	971
Brent Crude	⬇	68.3	-0.93%	68.9	69.1
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬇	1,291	-0.14%	1,292	1,290
JSE All Share	⬆	57,384	0.33%	57,195	57,384
SP500	⬇	3,237	-0.28%	3,246	3,237
FTSE 100	⬇	7,574	-0.02%	7,575	7,574
Hangseng	⬆	28,322	0.34%	28,226	27,996
DAX	⬆	13,227	0.76%	13,127	13,227
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬆	15,365	0.18%	15,338	15,365
Resources	⬇	49,762	-0.55%	50,038	49,762
Industrials	⬆	70,381	0.97%	69,707	70,381
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬆	14.28	0.61%	14.19	14.30
N\$/Pound	⬆	18.74	0.24%	18.70	18.79
N\$/Euro	⬆	15.93	0.16%	15.90	15.94
US dollar/ Euro	⬇	1.115	-0.38%	1.119	1.115
Economic data		Namibia		RSA	
		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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