



Market Update

Wednesday, 08 May 2019

Global Markets

Asian equities tracked Wall Street's slide on Wednesday, while investors switched to safe-haven government bonds, driven by fears that global growth will suffer as a potential trade deal between the United States and China appeared to be unravelling.

Beijing said on Tuesday that Chinese Vice Premier Liu He will visit Washington on Thursday and Friday for trade talks, setting up a last-ditch bid to salvage a deal that would avoid a sharp increase in tariffs on Chinese goods ordered by U.S. President Donald Trump.

In early European trade on Wednesday, pan-region Euro Stoxx 50 futures were down 0.09 percent, German DAX futures were up 0.05 percent and FTSE futures were down 0.03 percent. MSCI's broadest index of Asia-Pacific shares outside Japan, which earlier on Wednesday morning touched its lowest level since late March, was down 0.55 percent. The index had climbed to a nine-month peak three weeks ago, buoyed by factors including strong Chinese economic data and views that Sino-U.S. trade negotiations were progressing and would end in a deal.

The Shanghai Composite Index retreated 0.1 percent. Australian stocks declined 0.4 percent, South Korea's KOSPI fell 0.3 percent and Japan's Nikkei was down 1.9 percent. "The stock market had held an optimistic view towards U.S.-China trade, likely pricing in an end to negotiations. But the sudden resurgence in trade tensions has forced it to grapple with uncertainties, such as the risk of the talks taking an unforeseen turn," wrote strategists at Goldman Sachs.

Wall Street stocks had slid on Tuesday, with the S&P 500 losing 1.65 percent and the Dow shedding 1.8 percent on the U.S.-China trade concerns. Global stocks had a rocky start to the week after Washington on Monday accused Beijing of backtracking from commitments made during trade negotiations. That followed President Donald Trump's unexpected statement on Sunday that he would raise tariffs on \$200 billion worth of Chinese goods to 25 percent from 10 percent.

Government bond prices surged and their yields fell sharply as investor panic took a toll on growth asset markets. Benchmark 10-year yields on U.S. Treasuries, German bunds and Japanese government bonds sank to one-month lows. Japan's 10-year yield burrowed deeper into negative territory and last stood at minus 0.055 percent.

In currency markets, the dollar declined for the fourth day and touched a six-week low of 109.905 yen. The Japanese yen, a perceived safe-haven, often gains against its peers in times of market

turmoil and political strife. The euro was a little higher at \$1.1204 after ending the previous day nearly flat, and having held in a tight range for the last few sessions. The New Zealand dollar was down 0.2 percent at \$0.6560 after the country's central bank cut interest rates to a record low 1.5 percent from 1.75 percent on Wednesday amid weaker domestic activity and employment headwinds. The kiwi had earlier dropped to \$0.6525, its lowest since November 2018. The Australian dollar edged up 0.2 percent to \$0.7022. The Aussie was on the front foot after the Reserve Bank of Australia kept its policy interest rate unchanged at 1.5 percent on Tuesday, defying expectations for a cut.

U.S. West Texas Intermediate crude futures rose 0.78 percent to \$61.88 per barrel, recovering some ground after sinking 1.36 percent on Tuesday. Crude oil prices had dropped as renewed U.S.-China trade worries stoked concerns of slower global growth crimping demand for commodities. But a relatively tight market conditions due to U.S. sanctions on Iran and Venezuela has provided underlying support for oil prices. Brent crude oil futures were up 0.54 percent at \$70.26 per barrel, pulling back from a one-month trough of \$68.79 brushed on Monday.

Source: Thomson Reuters

Domestic Markets

The South African rand steadied against the U.S. dollar on Tuesday ahead of Wednesday's elections for parliament and provincial legislatures, which will determine the next president.

Stocks weakened as investors waited for direction.

At 1510 GMT, the rand traded at 14.4500 per dollar, unchanged from its New York close on Monday.

While a victory for the ruling African National Congress (ANC) is almost certain, its majority is likely to shrink, which could constrain President Cyril Ramaphosa's reforms and keep the economy on a slow burn.

"Markets expect a rally on a strong ANC win, with potentially marked rand strength," Investec economist Annabel Bishop said in a note. "However, in order to shift the full focus of internal party politics to the economy, particularly job creation driven by strong economic growth, will likely require some patience at best, and repair and improvements to governance in government structures is also needed."

In fixed income, the yield on the benchmark government bond due in 2026 added 2 basis points to 8.6 percent.

On the bourse, the blue-chip Top-40 share index fell 1.2 percent to 51,707 points while the broader All-Share index was down 1.03 percent at 58,110 points.

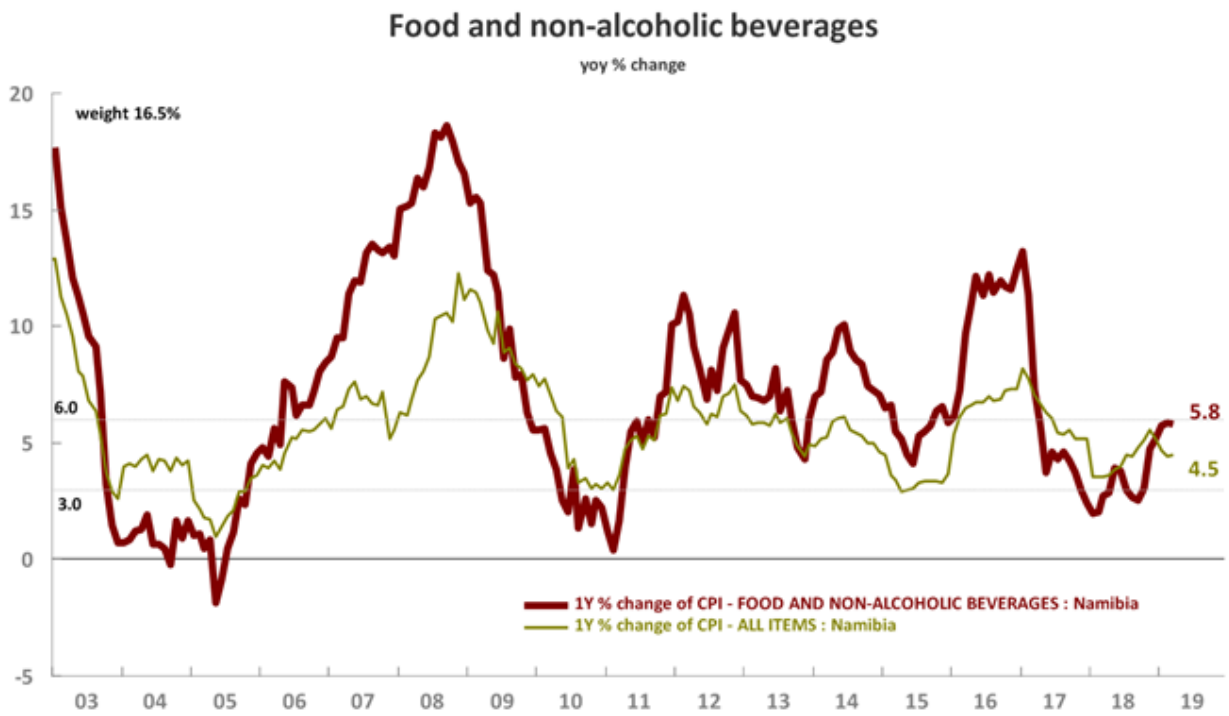
"Ahead of the elections there is just too much uncertainty so there are a lot of people sitting on the sidelines," said Greg Davies, equities trader at Crates Capital.

Among the biggest declines were general retailers, which fell 2.55 percent. Massmart closed down 3.99 percent to 87.50 rand, Truworths fell 3.68 percent to 76.10 rand and TFG weakened 3.63 percent to 189.55 rand.

Source: Thomson Reuters



Chart of the Day



Source: Thomson Reuters Datastream, Capricorn Asset Management

Market Overview

| MARKET INDICATORS | | 08 May 2019 | | | |
|--------------------------|---|-------------------|-------------------|-------------------|---------------------|
| Money Market TB's | | Last close | Difference | Prev close | Current Spot |
| 3 months | ➡ | 7.41 | 0.000 | 7.41 | 7.33 |
| 6 months | ➡ | 7.65 | 0.000 | 7.65 | 7.60 |
| 9 months | ➡ | 7.92 | 0.000 | 7.92 | 7.93 |
| 12 months | ➡ | 8.16 | 0.000 | 8.16 | 8.15 |
| Bonds | | Last close | Difference | Prev close | Current Spot |
| GC21 (BMK: R208) | ⬇ | 7.76 | -0.025 | 7.78 | 7.73 |
| GC24 (BMK: R186) | ⬆ | 9.50 | 0.020 | 9.48 | 9.50 |
| GC27 (BMK: R186) | ⬆ | 9.71 | 0.020 | 9.69 | 9.80 |
| GC30 (BMK: R2030) | ⬆ | 10.56 | 0.025 | 10.54 | 10.07 |
| GI22 (BMK: NCPI) | ➡ | 4.54 | 0.000 | 4.54 | 4.54 |
| GI25 (BMK: NCPI) | ➡ | 5.11 | 0.000 | 5.11 | 5.11 |
| GI29 (BMK: NCPI) | ➡ | 5.73 | 0.000 | 5.73 | 5.73 |
| Commodities | | Last close | Change | Prev close | Current Spot |
| Gold | ⬆ | 1,284 | 0.33% | 1,280 | 1,285 |
| Platinum | ⬇ | 868 | -0.52% | 873 | 870 |
| Brent Crude | ⬇ | 69.9 | -1.91% | 71.2 | 70.0 |
| Main Indices | | Last close | Change | Prev close | Current Spot |
| NSX (Delayed) | ⬇ | 1,379 | -1.00% | 1,393 | 1,379 |
| JSE All Share | ⬇ | 58,044 | -1.14% | 58,713 | 58,044 |
| SP500 | ⬇ | 2,884 | -1.65% | 2,932 | 2,884 |
| FTSE 100 | ⬇ | 7,260 | -1.63% | 7,381 | 7,247 |
| Hangseng | ⬆ | 29,363 | 0.52% | 29,210 | 28,994 |
| DAX | ⬇ | 12,093 | -1.58% | 12,287 | 12,132 |
| JSE Sectors | | Last close | Change | Prev close | Current Spot |
| Financials | ⬇ | 17,345 | -1.04% | 17,527 | 17,345 |
| Resources | ⬇ | 45,257 | -0.75% | 45,599 | 45,257 |
| Industrials | ⬇ | 72,120 | -1.54% | 73,247 | 72,120 |
| Forex | | Last close | Change | Prev close | Current Spot |
| N\$/US dollar | ⬇ | 14.44 | -0.38% | 14.50 | 14.35 |
| N\$/Pound | ⬇ | 18.88 | -0.54% | 18.98 | 18.71 |
| N\$/Euro | ⬇ | 16.16 | -0.44% | 16.23 | 16.07 |
| US dollar/ Euro | ⬇ | 1.119 | -0.06% | 1.12 | 1.120 |
| Economic data | | Namibia | | RSA | |
| | | Latest | Previous | Latest | Previous |
| Inflation | ⬆ | 4.5 | 4.4 | 4.5 | 4.1 |
| Prime Rate | ➡ | 10.50 | 10.50 | 10.25 | 10.25 |
| Central Bank Rate | ➡ | 6.75 | 6.75 | 6.75 | 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

Source: Bloomberg

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