



Market Update

Tuesday, 08 October 2019

Global Markets

Asian shares inched up on Tuesday, with Chinese shares making modest gains after a week-long holiday, though investors remained cautious over U.S.-China trade talks after President Donald Trump said a quick trade deal was unlikely.

Japan's Nikkei climbed 1.0% while MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.73%, led by gains in tech shares in South Korea and Taiwan. South Korea's Samsung Electronics rose 1.2% after its profit guidance. The semiconductor firm said its third-quarter operating profit likely fell 56% on a downturn in global memory chip prices, but that was better than what analysts had anticipated. Taiwan's stock index gained 0.7% to hit five-month highs while Hong Kong shares extended gains after the territory's leader said she had no plans to use the emergency regulation ordinance to introduce other laws. Shanghai shares rose 0.3% after the week-long break though gains were led mainly by defensive shares ahead of the crucial trade talks.

Spending on retail goods and dining during China's National Day holidays returned to growth this year, offering unexpected respite to an economy that has been expanding at its weakest pace in almost three decades. Still a private survey showed China's services sector grew at its slowest pace in seven months in September.

On Wall Street, the S&P 500 lost 0.45% on Monday, unable to sustain gains made after positive tweets and news headlines about the trade talks. "Given the importance of the event, markets will be extremely nervous. I expect things to stay this way for now. On the whole, markets are not that optimistic about the outlook," said Masahiro Ichikawa, senior strategist at Sumitomo Mitsui Asset Management. U.S. and Chinese deputy trade negotiators on Monday launched two days of talks aimed at paving the way later this week for the first minister-level negotiations in months.

But prospects for progress in U.S.-China trade talks dimmed after Washington blacklisted Chinese companies over Beijing's treatment of predominantly Muslim ethnic minorities. Among those blacklisted, trading in video surveillance company Hikvision was suspended while voice recognition front-runner IFLYTEK Co fell as much as 3.1%. Trump also said he hoped China found a humane and peaceful resolution to the ongoing political protests in Hong Kong, and warned the situation had the potential to hurt trade talks.

The bilateral talks are getting underway ahead of a scheduled increase in U.S. tariffs on \$250 billion worth of Chinese goods, to 30% from 25% on Oct. 15. Trump has said the tariff increase will take

effect if no progress is made in the negotiations. "This ongoing trade-war discussion is a much more secular theme rather than something that is going to be resolved in the next couple of days," said Maurice Meijers, a fixed-income portfolio manager at Dutch fund manager Robeco in Singapore. Meijers said he doesn't expect a sudden massive breakthrough that would give markets reason to rally. "That's very unlikely, I'll expect this to be an ongoing theme."

In the currency market, the Turkish lira steadied for now after declining more than 2% on Monday over concerns about Ankara's planned incursion in northern Syria. Trump threatened to destroy Turkey's economy if Ankara takes a planned military strike in Syria too far even though the U.S. leader himself has opened the door for a Turkish incursion. The lira traded at 5.837 per dollar, near its weakest level since Sept. 2.

Major currencies were more range-bound. The euro stood at \$1.0973, with its recovery from its 2-1/2-year low of \$1.10879 hit a week ago meeting a strong resistance around \$1.10. The dollar traded at 107.40 yen, up 0.15% after having found some support around 106.50 yen in the past few sessions. Sterling traded at \$1.2290, capped by concerns that sizeable differences between Britain and the European Union remained for striking a Brexit withdrawal deal. The yuan gained 0.35% to 7.1269 yuan per dollar after the Chinese central bank set a stronger-than-expected mid-point.

U.S. debt yields jumped back as \$78 billion in note and bond supply slated for auction this week helped push prices lower after last week's dramatic rise. The 10-year U.S. Treasuries yield last stood at 1.575%.

Oil prices rose on Tuesday, as unrest in oil-producing countries Iraq and Ecuador raised concerns of supply disruption. Brent crude futures rose 0.51% to \$58.65 a barrel while U.S. West Texas Intermediate (WTI) crude gained 0.61% to \$53.07 per barrel.

Domestic Markets

South Africa's rand weakened against the dollar on Monday after China was reported to be reluctant to agree to a broad trade deal with Washington, casting doubts on trade talks due to start this week. The United States and China are set to meet for trade negotiations in Washington on Oct. 10-11, although latest reports suggest Beijing may be looking to restrict the scope of any deal.

"After pulling back towards 15.00 rand against the dollar over the last few days on growing expectations of another U.S. interest rate cut, the domestic currency fell prey, again, to risk-off sentiment over global trade concerns," Investec chief economist Annabel Bishop wrote in a note. "The domestic currency may still attempt to break through 15.00 rand in the run-up to the Federal Open Market Committee meeting at the end of this month if risk aversion subsides."

South Africa relies on exports to China and the United States for the bulk of its revenue, and their trade dispute risks hurting the country's already weak economic prospects. At 1659 GMT, the rand weakened 0.56% to 15.1550 per dollar, compared to its close of 15.0700 on Friday.

Bishop said on the domestic front the medium-term budget policy statement on Oct.30 was being seen as casting a pall over the rand's fortunes as was a potential review of the country in early November by credit rating agency Moody's.

In the equities market, pharmacy and healthcare retailer Clicks Group topped the gainers after revising its earnings forecast range upwards, pushing its shares up 13.54% to 247.75 rand. Clicks now expects that diluted headline earnings per share for the year ended Aug.31, will increase by between 15% and 18%, compared to the previous forecast of between 10% and 15%.

Petrochemicals company Sasol was the second biggest gainer on the blue-chip index, rising 6.47% to 268.52 as it benefited from rising oil prices. Brent crude rose 78 cents or 1.3% to \$59.15 a barrel by 1550 GMT, while U.S. West Texas Intermediate (WTI) crude was at \$53.74, up 93 cents or 1.8%.

The Johannesburg All-Share index closed 1.34% higher at 54,714 points, while the Top-40 index climbed 1.38% to 48,635 points. In fixed income, the yield on the benchmark government due in 2026 was up by 3 basis point to 8.215%.

Source: Thomson Reuters



Market Overview

| MARKET INDICATORS (Thomson Reuters) | | Tuesday, 08 October 2019 | | | |
|-------------------------------------|---|--------------------------|-------------------|-------------------|---------------------|
| Money Market TB's | | Last close | Difference | Prev close | Current Spot |
| 3 months | ⇒ | 7.06 | 0.000 | 7.06 | 6.95 |
| 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 | 0.000 | 7.37 | 7.37 |
| GC21 (BMK: R2023) | ⇒ | 7.75 | 0.000 | 7.75 | 7.75 |
| GC22 (BMK: R2023) | ⇒ | 8.13 | 0.000 | 8.13 | 8.04 |
| GC23 (BMK: R2023) | ⇒ | 8.59 | 0.000 | 8.59 | 8.52 |
| GC24 (BMK: R186) | ⇒ | 8.86 | 0.000 | 8.86 | 8.79 |
| GC25 (BMK: R186) | ⇒ | 8.84 | 0.000 | 8.84 | 8.78 |
| GC27 (BMK: R186) | ⇒ | 9.01 | 0.000 | 9.01 | 8.99 |
| GC30 (BMK: R2030) | ⇒ | 9.51 | 0.000 | 9.51 | 9.45 |
| GC32 (BMK: R213) | ⇒ | 10.11 | 0.000 | 10.11 | 10.05 |
| GC35 (BMK: R209) | ⇒ | 10.45 | 0.000 | 10.45 | 10.39 |
| GC37 (BMK: R2037) | ⇒ | 10.53 | 0.000 | 10.53 | 10.47 |
| GC40 (BMK: R214) | ⇒ | 11.02 | 0.000 | 11.02 | 10.96 |
| GC43 (BMK: R2044) | ⇒ | 10.92 | 0.000 | 10.92 | 10.87 |
| GC45 (BMK: R2044) | ⇒ | 11.39 | 0.000 | 11.39 | 11.34 |
| GC50 (BMK: R2048) | ⇒ | 11.66 | 0.000 | 11.66 | 11.61 |
| 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 | ↓ | 1,493 | -0.73% | 1,504 | 1,489 |
| Platinum | ⇒ | 877 | 0.00% | 877 | 881 |
| Brent Crude | ↓ | 58.4 | -0.03% | 58.4 | 58.8 |
| Main Indices | | Last close | Change | Prev close | Current Spot |
| NSX Overall Index | ↑ | 1,244 | 0.82% | 1,234 | 1,244 |
| JSE All Share | ↑ | 54,715 | 1.34% | 53,994 | 54,715 |
| SP500 | ↓ | 2,939 | -0.45% | 2,952 | 2,939 |
| FTSE 100 | ↑ | 7,198 | 0.59% | 7,155 | 7,198 |
| Hangseng | ⇒ | 25,821 | 0.00% | 25,821 | 25,998 |
| DAX | ↑ | 12,097 | 0.70% | 12,013 | 12,097 |
| JSE Sectors | | Last close | Change | Prev close | Current Spot |
| Financials | ↑ | 15,478 | 0.22% | 15,443 | 15,478 |
| Resources | ↑ | 43,692 | 2.44% | 42,651 | 43,692 |
| Industrials | ↑ | 68,881 | 1.29% | 68,001 | 68,881 |
| Forex | | Last close | Change | Prev close | Current Spot |
| N\$/US dollar | ↑ | 15.15 | 0.87% | 15.02 | 15.12 |
| N\$/Pound | ↑ | 18.62 | 0.53% | 18.52 | 18.59 |
| N\$/Euro | ↑ | 16.62 | 0.81% | 16.49 | 16.60 |
| US dollar/ Euro | ↓ | 1.097 | -0.05% | 1.098 | 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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