



Market Update

Thursday, 09 May 2019

Global Markets

Asian shares fell to eight-week lows on Thursday as investors waited to see whether Chinese and U.S. trade negotiators can salvage a deal to stave off the threat of fresh U.S. tariff increases, which would damage global economic growth. Chinese Vice Premier Liu He is set for talks in Washington on Thursday and Friday with U.S. officials who have complained that Beijing has backtracked on earlier commitments. An agreement could avert a sharp increase in U.S. tariffs on Chinese goods that President Donald Trump has threatened to impose on Friday. China has threatened to retaliate, raising the risk of a major escalation in the bruising trade war between the world's two largest economies.

European stocks are set to open lower, with pan-region Euro Stoxx 50 futures down 0.5 percent, and German DAX futures down 0.4 percent, and FTSE futures 0.3 percent lower in early trade. In Asia, MSCI's broadest index of Asia-Pacific shares outside Japan dropped over 1 percent to its lowest level since March 11. Stocks extended earlier losses in Asian trade after U.S. President Donald Trump told a rally of supporters that China had "broke the deal" and would be paying for it.

The Chinese market tumbled and hovered close to its 2-1/2-month lows. Shanghai shares slid 0.8 percent, the blue-chip CSI 300 dropped 1 percent, and Hong Kong's Hang Seng lost 1.7 percent. Japan's Nikkei average shed 0.9 percent to a five-week low, South Korea's KOSPI fell over 2 percent while the Australian benchmark added 0.5 percent.

The yield spread between three-month bills and the 10-year notes shrank to 3 basis points, compared with about 15 basis points a few weeks ago. The closely-watched spread turned negative in late March, spooking investors, who read the development as portending a future recession. The benchmark 10-year Treasury yield stood at 2.469 percent, having hit its lowest level in five weeks of 2.426 percent on Wednesday.

Wall Street shares ended a choppy session flat to lower overnight, with the Dow Jones Industrial Average rising marginally, the S&P 500 and the Nasdaq Composite dropping 0.2 percent and 0.3 percent, respectively.

In the currency market, sterling weakened on signs that Brexit talks between Britain's government and the main opposition party may soon collapse. The pound fell below the psychologically key \$1.30 level, touching a six-day low overnight, and last traded at \$1.3019. The dollar index against a basket of six major peers was down 0.06 percent at 97.561, with other major currencies also

confined to well-trodden ranges. The euro was little changed at \$1.1194 and the Japanese yen edged up 0.2 percent against the greenback to 109.92 yen.

In the commodity market, oil prices dropped on Thursday amid concerns over the escalating Sino-U.S. trade battle, despite a surprise fall in U.S. crude stockpiles. Brent crude futures dropped 0.6 percent to \$69.92 a barrel, while U.S. West Texas Intermediate (WTI) crude also retreated 0.6 percent to \$61.75 per barrel.

Shanghai industrial metals fell in early trade on Thursday, while benchmark London copper hit its lowest in nearly three months, as investors sought safety ahead of the trade talks.

Source: Thomson Reuters

SA Election

South African elections officials counted ballot papers early on Thursday, a day after a vote seen as the toughest test yet for the ruling African National Congress (ANC) party 25 years after it swept to power at the end of white minority rule. The elections for a new parliament and nine provincial legislatures are the first barometer of national sentiment since President Cyril Ramaphosa replaced scandal-plagued Jacob Zuma as head of state in February 2018.

Ramaphosa is trying to arrest a slide in support for the ANC, which has won every parliamentary vote since the end of apartheid in 1994 but whose image has been tarnished by corruption scandals and a weak economy in the past decade.

Opinion polls suggest the ANC will again win a majority of the parliament's 400 seats, but analysts say its margin of victory may fall from the 62 percent of the vote it secured in the last election in 2014 because of frustration with slow progress addressing racial disparities in income and wealth.

The ANC's biggest challengers at these elections are the main opposition party, the Democratic Alliance (DA), and the leftist Economic Freedom Fighters (EFF). The DA won 22 percent of the parliamentary vote in 2014 and the EFF six percent.

Results from some smaller voting districts started to trickle in on Thursday morning. As of 0330 GMT, more than 1.3 million votes had been processed out of around 26.8 million registered voters.

In the parliamentary vote the ANC was on around 53 percent, with the DA on 28 percent and the EFF on seven percent, with a turnout of 64 percent. Given that less five percent of the potential number of votes had been processed, it was too early to make an accurate prediction about the final result. A full tally may not be known until Saturday.

Elections officials said voting had in general progressed smoothly but that there had been isolated incidents where bad weather, unscheduled power outages or community protests had caused disruptions. The electoral commission said it was investigating two potential instances of double-voting.

The ANC achieved its best parliamentary election result in 2004, under former president Thabo Mbeki, when it won 69 percent of the vote. But its support fell under Zuma, and it lost control of big cities like the commercial capital Johannesburg in local government elections in 2016.

The ANC currently controls eight of the country's nine provinces, with the DA in power in the Western Cape. Analysts predict the provincial races for Gauteng, where Johannesburg and the administrative capital Pretoria are located, and the Western Cape, home to Cape Town, will be close.

Ramaphosa, who became ANC leader in December 2017 after narrowly defeating a faction allied with Zuma, has promised to improve poor public services, create jobs and fight corruption. But he has been constrained by divisions within his own party, where some Zuma supporters still retain influence and oppose his agenda.

Source: Thomson Reuters



Chart of the Day



Market Overview

MARKET INDICATORS			09 May 2019		
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	➡	7.41	0.000	7.41	7.32
6 months	➡	7.65	0.000	7.65	7.59
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	0.000	7.76	7.81
GC24 (BMK: R186)	➡	9.50	0.000	9.50	9.43
GC27 (BMK: R186)	➡	9.71	0.000	9.71	9.64
GC30 (BMK: R2030)	➡	10.56	0.000	10.56	10.49
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	⬇	1,281	-0.29%	1,284	1,283
Platinum	⬇	857	-1.32%	868	860
Brent Crude	⬆	70.4	0.70%	69.9	69.7
Main Indices		Last close	Change	Prev close	Current Spot
NSX (Delayed)	➡	1,379	0.00%	1,379	1,379
JSE All Share	➡	58,044	0.00%	58,044	58,044
SP500	⬇	2,879	-0.16%	2,884	2,879
FTSE 100	⬆	7,271	0.15%	7,260	7,271
Hangseng	⬇	29,003	-1.23%	29,363	28,352
DAX	⬆	12,180	0.72%	12,093	12,180
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	➡	17,345	0.00%	17,345	17,345
Resources	➡	45,257	0.00%	45,257	45,257
Industrials	➡	72,120	0.00%	72,120	72,120
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬇	14.38	-0.42%	14.44	14.32
N\$/Pound	⬇	18.70	-0.93%	18.88	18.62
N\$/Euro	⬇	16.09	-0.41%	16.16	16.03
US dollar/ Euro	⬆	1.119	0.01%	1.12	1.120
		Namibia		RSA	
Economic data		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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