



Market Update

Wednesday, 09 October 2019

Global Markets

Asian stocks fell the most in a week on Wednesday as the United States and China's broadening dispute over trade and foreign policy showed little sign of coming to an end, weighing on global economic growth.

MSCI's broadest index of Asia-Pacific shares outside Japan was down 0.44%. Chinese shares fell 0.47% after briefly touching a five-week low. Australian shares were down 0.76%. The U.S. Treasury yield curve steepened in Asia after U.S. Federal Reserve Chair Jerome Powell signalled further interest rate cuts and the resumption of bond purchases to address a recent spike in money markets rates. Oil prices extended declines as U.S. visa restrictions on Chinese officials and the addition of more Chinese companies to a U.S. trade blacklist weighed on already slim hopes that Washington and Beijing could reach a truce at trade negotiations this week. The United States and China are engaged in a year-long row that has slowly expanded beyond trade policy, suggesting even more damage to an already fragile global economy.

"Stock markets are still trying to price in the slowdown in global growth," said Kiyoshi Ishigane, chief fund manager at Mitsubishi UFJ Kokusai Asset Management Co in Tokyo. "The dispute between the United States and China shows no sign of ending. We're losing confidence in the U.S. economy. There's more uncertainty about where the Fed is really headed."

U.S. stock futures rose 0.22% in Asia, but sentiment was weak after the S&P 500 ended 1.56% lower on Tuesday in response to the U.S. visa restrictions. Japan's Nikkei slid 0.7%, its biggest decline in a week. Hong Kong shares fell 0.52%, nearing a four-week low due to persistent worries about often violent protest against China's rule of the former British colony. Shares fell in Apple Inc's suppliers in Greater China, such as Luxshare Precision and O-Film Tech, after China's state media criticized the iPhone maker for an app use by Hong Kong protesters.

The U.S. State Department announced the visa restrictions just a day after the U.S. Commerce Department cited the mistreatment of Uighur Muslims in China in its decision to add 20 Chinese public security bureaus and eight companies to a trade blacklist. The U.S. moves cast a pall over U.S.-China trade talks in Washington, where deputy negotiators met for a second day to prepare for the first minister-level meetings in more than two months on Thursday and Friday. Washington is also moving ahead with discussions about restrictions on capital flows into China, Bloomberg reported. Tit-for-tat tariffs imposed by the United States and China have roiled financial markets

and slowed capital investment and trade flows. U.S. President Donald Trump has said tariffs on Chinese imports will rise on Oct. 15 if no progress is made in the negotiations.

In currencies, sterling traded near a one-month low of \$1.2196 due to reports that Brexit talks between Britain and the European Union were close to breaking down. The dollar index was little changed at 99.091. The euro traded at \$1.0965, and the yen fell slightly to 107.18 per dollar.

The spread between two-year and 10-year Treasuries, the most common definition of the yield curve, widened to 11.6 basis points. The Fed's Powell, in a speech on Tuesday, flagged openness to further rate cuts and said the time to allow the Fed's asset holdings to begin to expand again "is now upon us." The Fed had been shrinking its balance sheet as it unwound crisis-era bond buying programmes. Recent volatility in U.S. money markets raised concern the Fed's balance sheet had become too small, leaving banks with inadequate reserves. Powell said balance sheet expansion should not be read as an effort to stimulate the economy, but weak data on the U.S. manufacturing and services sector last week rattled investors' confidence that the U.S. economy remained robust.

U.S. crude fell 0.42% to \$52.41 per barrel. Brent crude fell 0.39% to \$58.01 a barrel. A larger-than-expected increase in U.S. crude inventories added to fears that the global oil market will continue to struggle with excess supply.

Domestic Markets

South Africa's rand and stocks weakened on Tuesday as concerns over the upcoming U.S.-China trade talks and escalating tensions between London and Brussels sparked a flight to safety, denting appetite for riskier but high-yielding assets. At 1527 GMT the rand was 0.66% weaker at 15.2900 per dollar.

"An optimistic move by the rand to test the R15.00/\$ mark was short-lived as renewed risk-off sentiment filtered into markets yesterday, with trade tension once again taking centre stage," Bianca Botes, treasury partner at Peregrine Treasury Solutions, said in a note.

Top-level trade discussions between the United States and China are scheduled for Oct. 10-11, with reports that the Trump administration was moving ahead with discussions on curbing capital flows into China keeping investors on edge. Washington also blacklisted eight Chinese tech companies, while U.S. President Donald Trump suggested a deal to end the trade dispute may not yet be quite in the offing.

Elsewhere reports that Brexit talks between Britain and Brussels were close to breaking down added further uncertainty.

Investors are also awaiting the minutes from the U.S. Federal Open Market Committee's September meeting on Wednesday for clues on whether the central bank will cut rates at its October session.

"The rand could well claw its way back to R15.00, and below, should risk sentiment improve and expectations of a Fed rate cut towards the end of the month prevail," Botes said.

On the bourse, the benchmark Top-40 index fell 0.35% to 48,465 points, while the All-Share index dropped 0.48% to 54,454 points. "It's a whole lot of noise-making, one big melting pot of uncertainty, and markets don't like that," said Ryan Woods, a trader at Independent Securities. "That is why you are seeing this progressive sell-off across the board."

Among the fallers on the Top-40 index, Absa slid 2.20% to 149.00 rand and Shoprite weakened 1.81% to 124.97 rand. Curbing further losses were gold shares, which rose 1.82% as global

uncertainty sparked a flight to safe-haven assets. Harmony Gold rose 2.7% 48.35 rand, Gold Fields gained 1.86% to 83.84 rand and AngloGold Ashanti closed up 1.47% at 315.55 rand.

In fixed income, the yield on the benchmark government bond added 6.5 basis points to 8.28%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Wednesday, 09 October 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	➡	7.06	0.000	7.06	6.93
6 months	➡	7.18	0.000	7.18	7.13
9 months	➡	7.35	0.000	7.35	7.27
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)	⬇	8.04	-0.085	8.13	8.06
GC23 (BMK: R2023)	⬇	8.52	-0.072	8.59	8.54
GC24 (BMK: R186)	⬇	8.79	-0.065	8.86	8.81
GC25 (BMK: R186)	⬇	8.78	-0.065	8.84	8.80
GC27 (BMK: R186)	⬇	8.99	-0.018	9.01	9.01
GC30 (BMK: R2030)	⬇	9.45	-0.065	9.51	9.48
GC32 (BMK: R213)	⬇	10.05	-0.065	10.11	10.08
GC35 (BMK: R209)	⬇	10.39	-0.065	10.45	10.42
GC37 (BMK: R2037)	⬇	10.47	-0.065	10.53	10.50
GC40 (BMK: R214)	⬇	10.96	-0.055	11.02	11.00
GC43 (BMK: R2044)	⬇	10.87	-0.050	10.92	10.91
GC45 (BMK: R2044)	⬇	11.34	-0.050	11.39	11.38
GC50 (BMK: R2048)	⬇	11.61	-0.050	11.66	11.64
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	⬆	1,505	0.80%	1,493	1,507
Platinum	⬆	890	1.51%	877	892
Brent Crude	⬇	58.2	-0.19%	58.4	58.1
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬇	1,234	-0.79%	1,244	1,234
JSE All Share	⬇	54,533	-0.33%	54,715	54,533
SP500	⬇	2,893	-1.56%	2,939	2,893
FTSE 100	⬇	7,143	-0.76%	7,198	7,143
Hangseng	⬆	25,893	0.28%	25,821	25,727
DAX	⬇	11,970	-1.05%	12,097	11,970
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬇	15,355	-0.79%	15,478	15,355
Resources	⬆	43,707	0.03%	43,692	43,707
Industrials	⬇	68,631	-0.36%	68,881	68,631
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬆	15.27	0.79%	15.15	15.25
N\$/Pound	⬆	18.66	0.19%	18.62	18.62
N\$/Euro	⬆	16.73	0.65%	16.62	16.71
US dollar/ Euro	⬇	1.095	-0.15%	1.097	1.096
		Namibia		RSA	
Economic data		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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