



Market Update

Thursday, 10 October 2019

Global Markets

Global stocks recouped early losses as news reports raised hopes that the United States and China would settle some economic disputes, but investors were kept on edge by an earlier report that trade talks due to begin on Thursday could be cut short. U.S. S&P500 mini futures traded down 0.2%, with a big part of early losses cut after the New York Times reported Washington will soon issue licenses allowing some U.S. firms to supply non-sensitive goods to China's Huawei Technologies. Another report, from Bloomberg, that the White House is looking at rolling out a previously agreed currency pact with China, also raised hopes of a partial deal and helped to lift risk assets.

MSCI's broadest index of Asia-Pacific shares outside Japan were flat while Japan's Nikkei gained 0.3%. Shanghai shares also rose 0.35%. Earlier U.S. stock futures slumped as much as 1.3%, as the South China Morning Post (SCMP) reported the Chinese delegation, headed by Vice Premier Liu He, was planning to leave Washington after just a day of minister-level meetings, instead of as originally planned on Friday. Top negotiators from the two countries were scheduled to meet in Washington on Thursday and Friday to try to end a bruising 15-month-old trade war. Though there were some conflicting reports on whether Liu's plans have been changed, many market players remained cautious. Without significant progress, U.S. President Donald Trump is set to hike the tariff rate on \$250 billion worth of Chinese goods to 30% from 25% next Tuesday.

"Barring any surprise today, it looks like their talk is breaking down. The tariff will be hiked. The situation looks dire," said Norihiro Fujito, chief investment strategist at Mitsubishi UFJ Morgan Stanley Securities. The SCMP report on the U.S.-China trade talks came less than a couple of hours after Trump told reporters he thought China wanted to make a trade deal more than he did. Chinese government officials told Reuters that Beijing has lowered expectations for significant progress from this week's trade talks with the United States, upset by the blacklisting of Chinese companies. China is unlikely to be willing to make an easy compromise with a U.S. president who seems increasingly vulnerable to domestic political pressure as opposition Democrats seek to impeach him, Mitsubishi's Fujito added. U.S. Democratic presidential contender Joe Biden called for the impeachment of Trump for the first time in a deepening partisan fight over a congressional investigation of the Republican president.

In the currency market, the offshore yuan reversed early losses to gain 0.3% to trade at 7.1148 per dollar following the Bloomberg report about a U.S.-China currency pact. "The yuan rose on

expectations of a currency pact. If there will be such an agreement, the yuan could rise to 6.9 to the dollar. But the trouble is, no one knows what's in that pact that they had reportedly agreed in February," said Ei Kaku, currency strategist at Nomura Securities. In the onshore trade, the renminbi gained 0.25% to 7.1130. The safe haven yen and Swiss franc gave up most of their early gains. The yen last stood almost flat at 107.56 while the Swiss franc traded at 0.9946 franc per dollar, about 0.1% higher than late U.S. levels. The euro firmed slightly to \$1.0986.

Sterling wobbled near one-month lows against the dollar and the euro as hopes of a break-through on a key sticking point for a Brexit deal were dashed. Northern Ireland's Democratic Unionist Party, a coalition partner in the British government, said it would emphatically oppose a reported European Union concession on the Irish backstop under any Brexit deal. The pound last stood at \$1.2227, up 0.2% for the day but still not far from Tuesday's five-week low of \$1.2196.

The Turkish lira retreated to six-week lows as Turkish troops, together with their Syrian rebel allies, attacked Kurdish militia in northeast Syria, opening a fresh chapter in Syria's eight-year-old civil war. The lira fell to 5.8777 per dollar, the lowest since its flash crash on Aug. 26.

U.S. Treasuries yield slipped back after having risen to 1.594% on Wednesday, pressured partly by this week's heavy bond supply. The 10-year Treasuries yield dipped to one basis point to 1.577%. The price of front-end Fed funds rate futures gained on increasing bets on more rate cuts by the U.S. Federal Reserve. The November contract is almost fully pricing in a 0.25 percentage point cut on Oct. 30.

Oil prices also slid on wariness over U.S.-China talks. Brent crude futures fell 0.26% to \$58.17 a barrel while U.S. West Texas Intermediate (WTI) crude lost 0.29% to \$52.44 per barrel.

Domestic Markets

South Africa's rand firmed on Wednesday as global market sentiment improved, with investors hopeful that a trade agreement can be reached between United States and China. Stocks, led by the retail sector, fell on concerns around the local economy which in turn weighed on shares whose primary business is in South Africa.

At 1524 GMT the rand was up 0.49% at 15.1950 per dollar, after it closed at 15.2700 on Tuesday. Markets have begun October nervously, and this week has seen investors dump stocks on concerns the U.S.-China conflict over trade and foreign policy is nowhere near a resolution and is increasingly damaging the global economy.

"Yesterday the rand overshot a bit. Today it's just the market taking stock of what happened yesterday and realising it was negative but was not as negative as it could be," said TreasuryONE senior dealer Andre Botha.

The rand is one of the most liquid and frequently traded emerging-market currencies, and a high degree of foreign investment makes it sensitive to offshore events and swings in risk sentiment.

Bonds were slightly higher, with the yield on the benchmark 2026 paper down 5 basis points at 8.230%.

The benchmark Top-40 stock index fell 0.32% to 48,311 points, while the All-Share index dropped 0.35% to 54,339 points. Among the biggest fallers were general retailers, which dropped 2.26%, with Truworths down 5.32% at 50.33 rand and TFG 3.64% lower at 157.39 rand. "(There are) concerns around domestic performance and we are seeing that in all these South African Inc shares

and a lot of them are down on the day," said Paul Chakaduka, trader at Global Trader. Further losses were curbed by the bullion sector, up 2.72%, amid safe-haven buying and a higher spot gold price.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Thursday, 10 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	-0.003	7.37	7.36
GC21 (BMK: R2023)	➔	7.75	0.000	7.75	7.75
GC22 (BMK: R2023)	⬆	8.06	0.015	8.04	8.12
GC23 (BMK: R2023)	⬆	8.54	0.018	8.52	8.60
GC24 (BMK: R186)	⬆	8.81	0.020	8.79	8.88
GC25 (BMK: R186)	⬆	8.80	0.020	8.78	8.86
GC27 (BMK: R186)	⬆	9.01	0.020	8.99	9.08
GC30 (BMK: R2030)	⬆	9.48	0.030	9.45	9.54
GC32 (BMK: R213)	⬆	10.08	0.030	10.05	10.14
GC35 (BMK: R209)	⬆	10.42	0.030	10.39	10.48
GC37 (BMK: R2037)	⬆	10.50	0.030	10.47	10.56
GC40 (BMK: R214)	⬆	11.00	0.035	10.96	11.06
GC43 (BMK: R2044)	⬆	10.91	0.035	10.87	10.97
GC45 (BMK: R2044)	⬆	11.38	0.035	11.34	11.44
GC50 (BMK: R2048)	⬆	11.64	0.035	11.61	11.71
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	0.00%	1,505	1,506
Platinum	⬆	892	0.22%	890	891
Brent Crude	⬆	58.3	0.14%	58.2	58.2
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬆	1,236	0.12%	1,234	1,236
JSE All Share	⬇	54,339	-0.35%	54,533	54,339
SP500	⬆	2,919	0.91%	2,893	2,919
FTSE 100	⬆	7,167	0.33%	7,143	7,167
Hangseng	⬇	25,683	-0.81%	25,893	25,795
DAX	⬆	12,094	1.04%	11,970	12,094
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬇	15,307	-0.31%	15,355	15,307
Resources	⬆	43,756	0.11%	43,707	43,756
Industrials	⬇	68,176	-0.66%	68,631	68,176
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬇	15.16	-0.71%	15.27	15.11
N\$/Pound	⬇	18.50	-0.82%	18.66	18.48
N\$/Euro	⬇	16.63	-0.58%	16.73	16.63
US dollar/ Euro	⬆	1.097	0.14%	1.095	1.100
		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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