



Market Update

Wednesday, 11 December 2019

Global Markets

Asian stocks drifted on Wednesday as Sino-U.S. trade talks showed little progress ahead of a weekend deadline for the imposition of additional U.S. tariffs, and the pound wobbled as opinion polls pointed to a tight British election on Thursday.

MSCI's broadest index of Asia-Pacific shares outside Japan drifted 0.1% higher, as markets in the region wavered either side of flat. Japan's Nikkei traded 0.2% lower, Australia's S&P/ASX 200 rose by the same margin. Shanghai blue chips added 0.1%. U.S. stock futures were 0.1% lower.

Faced with often conflicting reports, investors have begun to suspect that even if U.S. tariffs due to take effect on Sunday are delayed, it could take until 2020 before Washington and Beijing can agree a preliminary deal to wind back their trade war. "Every day we get a little bit of a nudge one way or the other," said Rob Carnell, Asia-Pacific chief economist at ING in Singapore. "You just don't know who to believe, whether these comments have any basis in reality or whether they're a negotiating tactic."

In the absence of harder news on the trade front, investors' focus was locked on the U.S. Federal Reserve's policy meeting and its outlook for the economy due at 2000 GMT, as well as Britain's election. The Fed is widely expected to hold rates steady, with investors interested in whether the central bank changes its view of the economy and its 2% growth forecast for next year. U.S. inflation data due at 1330 GMT, expected to hold steady, may further reduce chances for rate cuts next year should it surprise on the upside.

The biggest mover of the morning among currencies was the British pound, which shed 0.3% to hit \$1.3128 after a closely watched YouGov poll showed the ruling Conservatives tracking toward a much slimmer majority than forecast a fortnight ago. The pound recouped some losses during the day, but still sat well under the eight-month high struck overnight, when investors were more confident of a Conservative victory and expected it could end uncertainty over Britain's exit from the European Union. YouGov's research director, however, said the results showed a hung parliament was possible.

"Granted, this still portrays a Tory (Conservative) majority but given what is already priced ... the actual outcome has resulted in some of the heat coming out of a fairly frothy market," said Chris Weston, head of research at Melbourne brokerage Pepperstone.

While China and the United States have still to settle differences on trade, officials from Canada, Mexico and the United States signed a fresh overhaul of the quarter-century-old North American trade pact. A Wall Street Journal report that said U.S. and Chinese officials were preparing for a delay to the Dec. 15 round of tariffs knocked bonds but did not shift stocks since it suggested no resolution to the trade conflict. White House trade adviser Peter Navarro said on Tuesday that U.S. President Donald Trump would make a decision soon on whether to enforce or suspend the tariffs.

Overnight the Dow Jones Industrial Average and the S&P 500 each fell 0.1%, while the Nasdaq dropped by a little less. The yield on benchmark 10-year Treasury notes, which moves inversely to price, last stood a little higher at 1.8329%. Elsewhere among currencies, the dollar nursed overnight losses against the euro after German economic sentiment sharply rose after an unexpected rebound in October exports. The kiwi dollar drifted 0.3% lower to \$0.6526 as the government trimmed its growth forecasts and announced a long-term fiscal spending program. U.S. crude dipped 0.5% to \$58.92 a barrel, while gold was steady at \$1464.80 per ounce.

Source: Thomson Reuters

Domestic Markets

South Africa's rand tumbled to a two-week low on Tuesday, along with bonds and stocks, as a deepening power crisis and the spreading impact on business operations rattled investor sentiment. At 1500 GMT the rand was 1% weaker at 14.8150, its worst level since Nov. 26, bringing losses since the beginning of the month to more than 2% as the growth prospects of Africa's most developed economy dimmed significantly.

Mines across the country shut down as flash flooding strained power utility Eskom's already creaking coal plants, triggering the largest blackouts in more than a decade, threatening a key export sector and source of state revenues.

Harmony Gold, Impala Platinum, and Sibanye-Stillwater all said they had been forced to cut production since Monday owing to power shortages.

Eskom's bonds also suffered, with its 2023 dollar bond down 1.4 cents, its biggest daily drop in 16 months, to 99.9 cents on the dollar, while the 2025 issue matched those falls, Tradeweb data showed.

"Mining doesn't quite make up the big share it once has in GDP, but these are not good preconditions to attract investment and sustain investors' trust," said Elisabeth Andreae, FX Analyst at Commerzbank in Frankfurt.

Traders also noted that fresh U.S. tariffs on Chinese goods due to kick in on the weekend would further hurt the rand.

In fixed income, the yield on the benchmark instrument due in 2026 added 5.5 basis points to 8.425%.

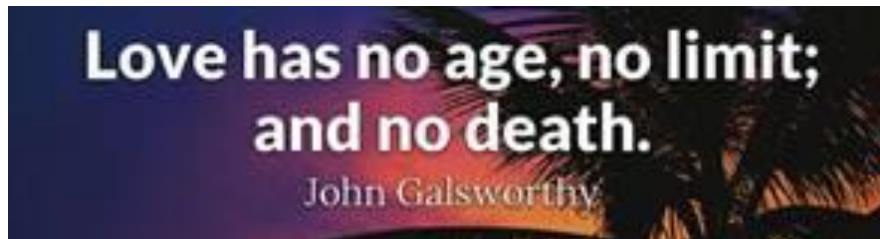
On the bourse, stocks were largely flat. The benchmark JSE Top-40 Index was up 0.42% to 49,225.73 points while the broader All-Share Index ticked up 0.01% to 55,276.71 points.

Miners topped the blue-chip index despite some big hitters winding down operations due to the blackouts, as the threat of lower production from South Africa, the world's largest supplier, pushed up prices. Spot palladium surpassed \$1,900 for the first time ever, while platinum jumped 2.5% and gold was 0.2% firmer.

Impala saw its share soar 3.5% to 131 rand, Northam's price climbed 4.6% to 118 rand, and Anglo's platinum operation gained 2.32% to 1,239 rand. AngloGold Ashanti was up 4.29% while Sibanye climbed 3.5%. Rival Gold Fields climbed 2.6%.

"The biggest value of the mines is what's still in the ground," said Wayne McCurrie from FNB Wealth and Investments. "Two or three days of load shedding on mines is not that important. It's a lot more negative for retail shares and banking shares because if you lose a sale it's gone," McCurrie added.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Wednesday, 11 December 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	⇒	7.11	0.000	7.11	7.04
6 months	⇒	7.39	0.000	7.39	7.38
9 months	⇒	7.43	0.000	7.43	7.69
12 months	⇩	7.67	-0.010	7.68	7.75
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	⇩	7.37	-0.005	7.37	7.37
GC21 (BMK: R2023)	⇩	7.36	-0.020	7.38	7.36
GC22 (BMK: R2023)	⇩	8.27	0.015	8.26	8.26
GC23 (BMK: R2023)	⇩	8.37	0.015	8.36	8.36
GC24 (BMK: R186)	⇩	9.04	0.053	8.99	9.04
GC25 (BMK: R186)	⇩	9.07	0.053	9.02	9.07
GC27 (BMK: R186)	⇩	9.18	0.053	9.13	9.18
GC30 (BMK: R2030)	⇩	10.14	0.070	10.07	10.13
GC32 (BMK: R213)	⇩	10.41	0.070	10.34	10.41
GC35 (BMK: R209)	⇩	10.88	0.090	10.79	10.87
GC37 (BMK: R2037)	⇩	11.07	0.085	10.98	11.06
GC40 (BMK: R214)	⇩	11.40	0.070	11.33	11.41
GC43 (BMK: R2044)	⇩	11.58	0.065	11.51	11.59
GC45 (BMK: R2044)	⇩	11.78	0.065	11.71	11.79
GC50 (BMK: R2048)	⇩	12.12	0.085	12.04	12.11
Inflation-Linked Bonds		Last close	Difference	Prev close	Current Spot
GI22 (BMK: NCPI)	⇒	4.40	0.000	4.40	4.40
GI25 (BMK: NCPI)	⇒	4.60	0.000	4.60	4.60
GI29 (BMK: NCPI)	⇒	5.72	0.000	5.72	5.72
GI33 (BMK: NCPI)	⇒	6.25	0.000	6.25	6.25
GI36 (BMK: NCPI)	⇒	6.46	0.000	6.46	6.46
Commodities		Last close	Change	Prev close	Current Spot
Gold	⇩	1,464	0.14%	1,462	1,464
Platinum	⇩	922	3.01%	895	918
Brent Crude	⇩	64.3	0.14%	64.3	63.9
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⇩	1,297	-0.09%	1,298	1,297
JSE All Share	⇩	55,418	0.27%	55,269	55,612
SP500	⇩	3,133	-0.11%	3,136	3,133
FTSE 100	⇩	7,214	-0.28%	7,234	7,214
Hangseng	⇩	26,437	-0.22%	26,495	26,643
DAX	⇩	13,071	-0.27%	13,106	13,071
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⇩	15,328	-0.69%	15,434	15,405
Resources	⇩	48,303	2.08%	47,319	48,364
Industrials	⇩	66,287	-0.34%	66,510	66,591
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⇩	14.78	0.78%	14.67	14.81
N\$/Pound	⇩	19.45	0.86%	19.28	19.43
N\$/Euro	⇩	16.40	1.05%	16.23	16.41
US dollar/ Euro	⇩	1.109	0.27%	1.106	1.109
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	⇩	3.0	3.3	3.7	4.1
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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