



## Market Update

Thursday, 11 July 2019

### Global Markets

Asian stocks gained and the dollar drooped on Thursday after Federal Reserve Chair Jerome Powell reinforced prospects of a U.S. interest rate cut later this month.

In an appearance before his congressional overseers on Wednesday, Powell confirmed that the U.S. economy is still under threat from disappointing factory activity, tame inflation and a simmering trade war. Powell said the central bank stands ready to "act as appropriate".

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.8%, while Japan's Nikkei added 0.4%. The Shanghai Composite Index advanced 0.8%, South Korea's KOSPI climbed 1% and Australian stocks edged up 0.3%.

U.S. stocks ended higher on Wednesday and the S&P 500 briefly crossed the 3,000-point mark for the first time following Powell's remarks. "The markets had hoped for Powell to express dovish views and they got what they wanted," said Masahiro Ichikawa, senior strategist at Sumitomo Mitsui DS Asset Management. "The focus going forward is U.S. data, such as tonight's CPI, and whether the economy warrants a 50 basis point rate cut this month."

A strong June U.S. jobs report released earlier this month had curbed market expectations that the Fed could lower rates by 50 basis points (bps), and the markets had viewed a 25 bps cut as a more likely option. But the Fed chair's cautious stance on the world's largest economy helped revive some bets on heftier easing at its next policy meeting on July 30-31.

The chance of a 50 bps cut rose to 27.6% from 3.3% on Tuesday, according to CME Group's FedWatch tool. Minutes from the Fed' last meeting in mid-June, however, showed some policymakers felt there was not yet a strong case for easing.

The dollar index against a basket of six major currencies stood little changed at 97.001 after falling 0.4% overnight, when it pulled back from a three-week peak of 97.588 in the wake of Powell's comments. The greenback was down 0.35% at 108.080 yen forced off a six-week high of 108.990 scaled the previous day.

The euro nudged up 0.1% to \$1.1263 after gaining 0.4% on Wednesday. The Australian dollar was steady at \$0.6962 following an overnight rise of 0.5% against the broadly weaker dollar. The surge helped the Aussie pull away from a 2-1/2-week trough of \$0.6910.

The 10-year U.S. Treasury yield was at 2.038% after dropping on Wednesday from a three-week high of 2.113% following the Fed chair's congressional testimony.

In commodities, U.S. crude oil futures extended the previous day's large gains to touch \$60.67 per barrel, their highest since May 23. The contract had surged 4.5% on Wednesday after U.S. crude inventories shrank and as major producers cut nearly a third of offshore Gulf of Mexico production ahead of an expected storm. Brent crude brushed a six-week high of \$67.15 per barrel and last traded at \$66.91.

Spot gold rose to \$1,426 an ounce, its highest since July 3 as reinforced expectations for a Fed rate cut boosted the non-yielding precious metal.

**Source: Thomson Reuters**

## Domestic Markets

South Africa's rand firmed on Wednesday as the dollar weakened after U.S. Federal Reserve Chairman Jerome Powell highlighted risks to the U.S. economy in remarks that could bolster expectations of an interest rate cut later this month.

The rand was also boosted by news that President Cyril Ramaphosa has re-appointed South African Reserve Bank Governor Lesetja Kganyago for another five-year term. At 15:30 GMT the rand was 0.95% firmer at 14.0525 per dollar.

In prepared remarks to a congressional committee, Powell said concerns about trade policy and a weak global economy "continue to weigh on the U.S. economic outlook" and the Fed stood ready to "act as appropriate" to sustain a decade-long expansion. "Federal Reserve Chairman Jerome Powell's testimony to the US Congress is surprisingly more dovish than markets were expecting, given the US jobs data," Bianca Botes, Treasury partner at Peregrine Treasury Solutions, said in a note.

"The local unit is now likely to retest the R14.00 mark as the dollar comes under renewed pressure." Emerging markets have enjoyed capital inflows this year on signs major central banks will embrace a looser monetary policy as a result of trade disputes and growth concerns.

However, strong U.S. jobs data on Friday all but ended expectations of a bold interest rate cut from the Fed at its meeting this month, leaving investors in search of hints on where rates are headed.

On the bourse, the benchmark Johannesburg Stock Exchange Top-40 Index was up 1.15% to 51,491.95 points while the broader All-Share Index closed 1.11% higher at 57,597.87 points. "We have seen in the last while, in the local stocks in particular banks, retailers, and some selected industrials under pressure and so we are seeing a bit of recovery now on the back of [Fed rate cut commentary]," said Ferdi Heyneke, Afrifocus Securities portfolio manager.

Mining company Goldfields was at the top of the blue-chip index, rising by 5.06% to 77.05 rand, while pharmaceuticals Aspen closed 3.50% higher at 105 rand. Retailer Clicks was up 2.76% to 209.24 rand. Dragging down further gains was steel producer Arcelormittal, which fell nearly 16% to 2.91 rand after plunging to a first-half loss due to rising costs and a flagging economy that could see some 2,000 jobs lost.

In fixed income, the yield on the benchmark 2026 Government Issue fell by 0.5 basis points to 8.11%.

**Source: Thomson Reuters**

## Market Overview

MARKET INDICATORS		11 July 2019			
<b>Money Market TB's</b>		Last close	Difference	Prev close	Current Spot
3 months	↓	7.09	-0.029	7.12	7.08
6 months	↓	7.54	-0.012	7.55	7.53
9 months	↓	7.72	-0.005	7.72	7.71
12 months	↓	7.83	-0.003	7.83	7.82
<b>Nominal Bonds</b>		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	→	7.90	0.000	7.90	7.90
GC21 (BMK: R2023)	→	7.35	0.000	7.35	7.35
GC22 (BMK: R2023)	→	8.04	0.000	8.04	8.01
GC23 (BMK: R2023)	→	8.48	0.000	8.48	8.46
GC24 (BMK: R186)	→	8.74	0.000	8.74	8.97
GC25 (BMK: R186)	→	9.41	0.000	9.41	9.41
GC27 (BMK: R186)	→	8.91	0.000	8.91	8.90
GC30 (BMK: R2030)	↑	9.69	0.001	9.69	9.66
GC32 (BMK: R213)	→	9.89	0.000	9.89	9.87
GC35 (BMK: R209)	→	10.34	0.000	10.34	10.36
GC37 (BMK: R2037)	→	10.42	0.000	10.42	10.43
GC40 (BMK: R214)	→	10.89	0.000	10.89	10.92
GC43 (BMK: R2044)	→	11.13	0.000	11.13	11.13
GC45 (BMK: R2044)	→	11.28	0.000	11.28	11.31
GC50 (BMK: R2048)	→	11.53	0.000	11.53	11.56
<b>Inflation-Linked Bonds</b>		Last close	Difference	Prev close	Current Spot
GI22 (BMK: NCPI)	→	4.20	0.000	4.20	4.20
GI25 (BMK: NCPI)	→	4.90	0.000	4.90	4.90
GI29 (BMK: NCPI)	→	5.89	0.000	5.89	5.89
<b>Commodities</b>		Last close	Change	Prev close	Current Spot
Gold	↑	1,419	1.50%	1,398	1,420
Platinum	↑	825	2.30%	806	826
Brent Crude	↑	67.0	4.44%	64.2	67.2
<b>Main Indices</b>		Last close	Change	Prev close	Current Spot
NSX (Delayed)	↑	1,331	1.04%	1,317	1,331
JSE All Share	↑	57,598	1.11%	56,964	57,598
SP500	↑	2,993	0.45%	2,980	2,993
FTSE 100	↓	7,531	-0.08%	7,536	7,531
Hangseng	↑	28,205	0.31%	28,116	28,410
DAX	↓	12,373	-0.51%	12,437	12,373
<b>JSE Sectors</b>		Last close	Change	Prev close	Current Spot
Financials	↑	16,622	1.19%	16,426	16,622
Resources	↑	46,407	0.87%	46,004	46,407
Industrials	↑	71,920	1.32%	70,980	71,920
<b>Forex</b>		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	13.98	-1.37%	14.17	13.91
N\$/Pound	↓	17.47	-1.10%	17.67	17.43
N\$/Euro	↓	15.73	-0.99%	15.88	15.69
US dollar/ Euro	↑	1.125	0.38%	1.121	1.127
<b>Economic data</b>		Namibia		RSA	
		Latest	Previous	Latest	Previous
Inflation	↓	4.1	4.5	4.5	4.4
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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