



Market Update

Monday, 11 November 2019

Global Markets

Asian shares reversed gains on Monday, the yen ticked higher and gold jumped as fresh violence broke out in Hong Kong, while uncertainty still remained over whether the United States and China could end their damaging trade war. Hong Kong's Hang Seng index led the losses in Asia, down more than 1%, after police fired live rounds at protestors on the eastern side of Hong Kong island. Cable TV and other Hong Kong media reported at least one protester being wounded. Video footage showed a protester lying in a pool of blood.

Chinese shares too started lower with the blue-chip CSI300 index down 0.6%. South Korea's KOSPI lost 0.7%. Japan's Nikkei gave up early gains to drift away from a recent 13-month high after data showed the country's core machinery orders fell for a third straight month. Australian shares bucked the downbeat trend, rising 0.5% to a two-week high. That left MSCI's broadest index of Asia-Pacific shares outside Japan down 0.5%.

"The China-U.S. trade war and the Hong Kong protest are combining to cast a negative pall on Asian markets today," said James McGlew, analyst at stockbroking firm Argonaut. "Hong Kong protests have been dragging on for a while and the view from the financial world is that it's really starting to bite now. The further this drags on it's certainly going to be very negative."

Gold, which rises during times of uncertainty, rebounded from a three-month low touched on Friday to be last up 0.4% at \$1,463.5 an ounce. In currencies, the Japanese yen gained on the dollar to 109.11 while the Australian dollar, a liquid gauge for risk, was off slightly at \$0.6855. The dollar index was mostly flat at 98.353 as was the euro at \$1.102.

Market attention was also on the U.S.-China trade talks. U.S. President Donald Trump told reporters on Saturday that talks with China had moved more slowly than he would have liked, but added that Beijing wanted a deal more than he did. That was a more upbeat tone than just a few days earlier when he had stressed that the White House would not agree to a full rollback of existing tariffs, remarks that hit stock prices and the dollar. "Despite his bluster that 'China wants a trade deal more than I do', markets sense that Trump is likely quite keen to call a truce on what is becoming a serious U.S. economic risk heading into the 2020 election year," said David Bassanese, Sydney-based economist at Betashares.

By the close of Wall Street on Friday, optimism had returned to the market as investors bet that Washington needs a deal and it is in the interest of China, too. All three major U.S. indexes eked out

record closing highs. The Dow inched up while the S&P 500 climbed 0.3% and the Nasdaq Composite added 0.5%. The record closing high by the S&P 500 was the fourth in six sessions as U.S. stocks rallied on hopes of a trade deal. In early Asian hours on Monday, E-minis for the S&P500 were 0.2% lower indicating a weak open later in the day.

"Focus this week will again be on any reports on U.S.-China trade negotiations," Bassanese said. "There is still a lingering risk that talks could fail once again, in which case the recent risk-on global sentiment could be quickly unwound." U.S. officials said a lot of work remained to be done when Trump announced the outlines of an interim deal last month, and Beijing has since pushed back on U.S. demands for big agricultural purchases, among other issues.

Analysts said the outlook for equities was highly dependent on U.S. economic data as a U.S.-China trade agreement would help bolster manufacturing and industrial sectors. Data on October U.S. industrial production and retail sales, along with the National Federation of Independent Business's monthly small business survey, are scheduled for release this week.

Elsewhere, benchmark Brent crude fell 43 cents to \$62.08 a barrel while West Texas Intermediate (WTI) crude slipped 35 cents to \$56.89 a barrel.

Domestic Markets

South Africa's rand weakened on Friday, after nationwide electricity blackouts overnight by ailing state utility Eskom spooked investors and reignited worries about the economy. At 1500 GMT the rand had slipped 0.46% to 14.8100 to the dollar, compared to a close of 14.7460 in the previous session.

Power firm Eskom implemented stage 2 power cuts, or loadshedding, shaving off 2,000 megawatts from the national grid starting at 2000 GMT on Thursday evening until 0300 GMT on Friday. The firm said it had lost three generation units, pushing its emergency reserve capacity to "critical levels". Eskom added the risk of power cuts on Friday was high as the system remained severely constrained, and that loadshedding on Friday could not be ruled out.

The rand had rallied on Thursday to its firmest since before a bleak Oct. 30 budget, mainly on the back of renewed hopes of a U.S.-China trade deal that helped the currency shrug off a dip in business confidence and a contraction in manufacturing. "Although the rand can sometimes perform well when growth is weak as import demand softens, history shows us that this is not the case when load-shedding hits," traders at ETM Analytics said in a note.

The latest bout of nationwide blackouts come after repeated power cuts in February and March, which dragged the economy into contraction and pushed the government to grant Eskom a \$4 billion bailout on top of a \$16 billion bailout spread over the next 10 years.

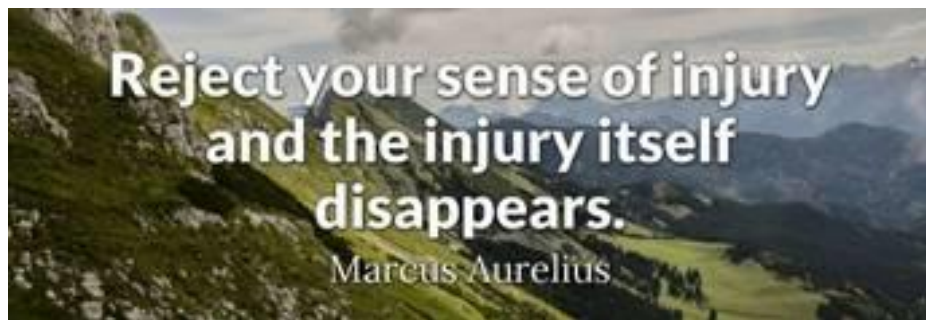
A firmer dollar buoyed by news that China and the United States had agreed to cancel some tariffs as part of a potential preliminary pact to end their trade war also put the rand under pressure.

On the stock market, the benchmark JSE Top-40 Index fell 1.61% to 50,398.87 points while the broader All-Share Index closed down 1.54% at 56,600.46 points. "For the most part I would say there are external factors playing a part here," said Independent Securities trader Ryan Woods. "Pretty much all the European indexes are softer today so we're taking a bit of a breather," Woods added.

Gold mining companies fell to the bottom of the blue-chip index with Gold Fields down 6.31% and AngloGold Ashanti slipping 2.34% as a stronger dollar led to weaker gold prices. Dual listed Swiss jeweller Richemont also fell sharply, dropping 5.73% to 110.77 rand after announcing political protests in Hong Kong weighed on its first half sales and reporting higher than expected losses.

Bonds were also weaker, with the yield on the benchmark paper due in 2026 up 9 basis points to 8.48%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Monday, 11 November 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	→	6.97	0.000	6.97	6.97
6 months	→	7.23	0.000	7.23	7.24
9 months	→	7.34	0.000	7.34	7.37
12 months	→	7.42	0.000	7.42	7.47
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	→	7.36	0.000	7.36	7.36
GC21 (BMK: R2023)	↑	7.58	0.015	7.56	7.58
GC22 (BMK: R2023)	→	8.17	0.000	8.17	8.17
GC23 (BMK: R2023)	→	8.69	0.000	8.69	8.69
GC24 (BMK: R186)	↑	9.20	0.075	9.12	9.00
GC25 (BMK: R186)	↑	9.76	0.060	9.70	8.98
GC27 (BMK: R186)	→	9.18	0.000	9.18	9.18
GC30 (BMK: R2030)	↑	10.41	0.050	10.36	9.63
GC32 (BMK: R213)	↑	10.76	0.065	10.70	10.76
GC35 (BMK: R209)	↓	10.62	-0.755	11.37	10.59
GC37 (BMK: R2037)	→	10.73	0.000	10.73	10.76
GC40 (BMK: R214)	→	11.15	0.000	11.15	11.16
GC43 (BMK: R2044)	→	11.19	0.000	11.19	11.22
GC45 (BMK: R2044)	→	11.51	0.000	11.51	11.49
GC50 (BMK: R2048)	→	11.80	0.000	11.80	11.75
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)	→	5.51	0.000	5.51	5.51
GI33 (BMK: NCPI)	→	6.11	0.000	6.11	6.01
GI36 (BMK: NCPI)	→	6.40	0.000	6.40	6.30
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,458	-0.64%	1,468	1,463
Platinum	↓	887	-2.41%	908	887
Brent Crude	↑	62.5	0.35%	62.3	61.8
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,344	-1.07%	1,359	1,344
JSE All Share	↓	56,617	-1.51%	57,483	56,617
SP500	↑	3,093	0.26%	3,085	3,093
FTSE 100	↓	7,359	-0.63%	7,406	7,359
Hangseng	↓	27,651	-0.70%	27,847	26,922
DAX	↓	13,229	-0.46%	13,289	13,229
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	16,394	-0.68%	16,506	16,394
Resources	↓	46,579	-1.59%	47,330	46,579
Industrials	↓	69,264	-2.00%	70,675	69,264
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	14.81	0.58%	14.73	14.91
N\$/Pound	↑	18.91	0.24%	18.87	19.08
N\$/Euro	↑	16.32	0.30%	16.27	16.44
US dollar/ Euro	↓	1.102	-0.30%	1.105	1.102
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↓	3.3	3.7	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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