



The Daily Brief

 Capricorn Asset Management

Market Update

Thursday, 12 December 2019

Global Markets

Asian stocks rose on Thursday to the highest in a month after the Federal Reserve signalled rate settings were likely to remain accommodative, but the imminent UK election and a deadline for Sino-U.S. trade talks kept investors cautious. The Fed kept interest rates unchanged, as expected, at its policy meeting on Wednesday but indicated interest rates would remain on hold, which nudged Wall Street stocks higher.

That helped MSCI's broadest index of Asia-Pacific shares outside Japan climb 0.98% to the highest since Nov. 11. Japan's Nikkei stock index rose 0.22% and U.S. stock futures edged up 0.1%. Australian shares were down 0.65%, however, weighed by the financial sector after a money-laundering scandal. Pan-region Euro Stoxx 50 futures were up 0.03%, German DAX futures were up 0.02%, while FTSE futures were up 0.16%.

"The Fed's accommodative stance does support equities, but the chance of a disruptive election outcome in Britain is very real," said Michael McCarthy, chief market strategist at CMC Markets in Sydney. "You also have the U.S.-China trade problem. We're likely to see subdued trading and some investors may lock in profits as the day progresses."

The S&P 500 rose 0.29% on Wednesday after the Fed's rate decision, which included enough dovish tones to cheer markets. Traders are bracing for a series of make-or-break events over the next few days that have the potential to cause huge swings in financial markets for months to come.

Sterling traded near the highest in more than two years versus the euro and close to an eight-month high versus the dollar before voting begins in an election that will determine whether Britain exits the European Union in an orderly fashion. Polls show the Conservatives' lead shrinking ahead of an election starting later on Thursday, which could jeopardise chances of a smooth Brexit. Exit polls for Britain's election will begin around 2200 GMT after voting closes, then official results will begin to trickle in.

UK Prime Minister Boris Johnson's ruling Conservative Party is running on a pledge to enact a swift split from the EU, ending more than three years of uncertainty. Traders say a hung parliament or a victory for the main opposition Labour Party could cause huge disruptions because Labour is promising another referendum on membership of the bloc.

Against the euro, sterling rose 0.1% to 84.32 pence, close to its firmest level since May 2017. The pound rose 0.2% to \$1.3218, just shy of its highest since March. The euro rose 0.1% to \$1.1142, close to a five-week high before a European Central Bank meeting later on Thursday where policymakers are expected to keep rates on hold.

Chinese shares slipped 0.2%. Activity was subdued as investors awaited more news about the Sino-U.S. trade war. U.S. President Donald Trump is expected to meet Thursday with top advisers to discuss tariffs on nearly \$160 billion of Chinese consumer goods that are scheduled to take effect on Dec. 15, three sources told Reuters. Trump is expected to go ahead with the tariffs, a separate source told Reuters, which could scuttle efforts to end a 17-month long trade dispute between the world's two-largest economies.

The dollar index against a basket of six major currencies fell 0.37% to 97.057, briefly touching a new four-month low after Powell it would take a significant pick-up in inflation to cause the Fed to raise rates. Treasury yields initially fell in reaction to Powell's comments, but they rebounded slightly in Asia. The yield on benchmark 10-year Treasury notes rose to 1.7966%.

U.S. crude edged up 0.15% to \$58.85 a barrel. Brent crude rose 0.39% to \$63.97 per barrel. A report by OPEC released on Wednesday suggested that oil markets are tighter than previously thought. Traders are also focused on state oil company Saudi Aramco, whose shares surged the maximum permitted 10% above their IPO price on their Riyadh stock market debut on Wednesday, making it the world's most valuable listed company.

Source: Thomson Reuters

Domestic Markets

South Africa's rand strengthened against the dollar on Wednesday on optimism the central bank has room to boost the economy after consumer inflation fell to a nine-year low, while stocks gained. At 1549 GMT, the rand traded at 14.7380 per dollar, 0.35% stronger, a chunk of those gains coming after the data showed the rise in November consumer prices slowed to 3.6% year on year from a 3.7% annual rise in October.

The subdued price growth reignited bets the Reserve Bank (SARB) may reduce rates after keeping them on hold at 6.5% in November.

With companies struggling to eke out profits as strained consumers cut spending and face a weak growth outlook and continued political uncertainty, monetary stimulus by a typically cautious central bank may be the only short-term solution the country has.

"With the economy flirting with recession (and with further downward revisions for economic growth also likely at that monetary policy meeting), the SARB will come under increasing pressure to reduce interest rates," said Elize Kruger, an economist at NKC African Economics, in a note. "While the SARB's conservatism could be justified in light of South Africa's dismal fiscal scenario which is calling for a higher risk premium to be offered to investors, it will become increasingly difficult to ignore the fact that all other factors are pointing towards lower interest rates."

Lower inflation against relatively high interest rates marginally supports the rand's carry yield attraction, but with chances diminishing that U.S. benchmark rates will go lower and credit rate risk rising locally, the rand's gains could be short-lived. The currency pulled back from a session low of 14.8170 registered in early trade in the wake of the country's most severe blackouts in a decade.

On Wednesday, President Cyril Ramaphosa said state utility Eskom will work to stabilise the national power grid by the end of March.

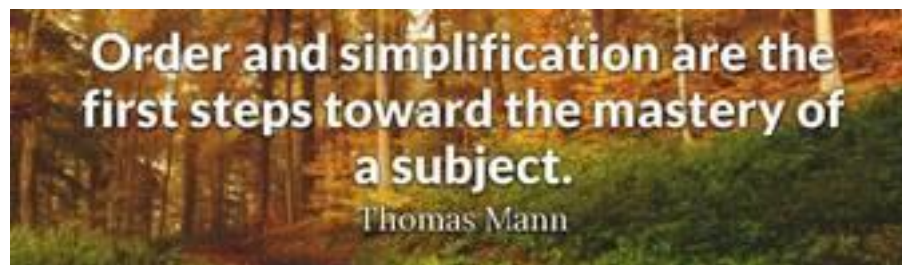
In fixed income, the yield on the R186 benchmark government bond due in 2026 was up 1 basis point to 8.38%.

Stocks rose alongside emerging market shares ahead of the conclusion of a U.S Federal Reserve policy meeting and after the local consumer inflation data. The benchmark JSE Top-40 Index was up 0.63% at 49,537 points while the broader All-Share Index rose 0.63% to 55,766 points.

"Investors are just positioning themselves a little bit towards tonight's Fed meeting and the tariffs on the weekend. So there's some optimism here and there," said Gerhard Parkin, portfolio manager at BP Bernstein.

Miners topped the Top-40 index on the back of stronger gold and platinum prices. Sibanye-Stillwater rose 6.12% to 34 rand and AngloGold Ashanti was up 3.66% at 298.93 rand. Platinum miner Impala Platinum was up 5.79% at 139 rand.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Thursday, 12 December 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	↓	7.04	-0.015	7.06	7.04
6 months	↓	7.38	-0.008	7.39	7.38
9 months	↓	7.69	-0.012	7.70	7.68
12 months	↓	7.75	-0.002	7.75	7.75
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	→	7.37	0.000	7.37	7.37
GC21 (BMK: R2023)	↓	7.35	-0.010	7.36	7.35
GC22 (BMK: R2023)	↓	8.24	-0.030	8.27	8.23
GC23 (BMK: R2023)	↓	8.34	-0.030	8.37	8.33
GC24 (BMK: R186)	↓	9.01	-0.038	9.04	8.99
GC25 (BMK: R186)	↓	9.04	-0.038	9.07	9.02
GC27 (BMK: R186)	↓	9.15	-0.038	9.18	9.13
GC30 (BMK: R2030)	↓	10.10	-0.040	10.14	10.09
GC32 (BMK: R213)	↓	10.37	-0.045	10.41	10.36
GC35 (BMK: R209)	↓	10.83	-0.045	10.88	10.82
GC37 (BMK: R2037)	↓	11.02	-0.045	11.07	11.00
GC40 (BMK: R214)	↓	11.36	-0.040	11.40	11.34
GC43 (BMK: R2044)	↓	11.54	-0.040	11.58	11.51
GC45 (BMK: R2044)	↓	11.74	-0.040	11.78	11.71
GC50 (BMK: R2048)	↓	12.07	-0.050	12.12	12.05
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	↑	1,475	0.74%	1,464	1,473
Platinum	↑	939	1.86%	922	938
Brent Crude	↓	63.7	-0.96%	64.3	64.0
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,298	0.12%	1,297	1,298
JSE All Share	↑	55,766	0.63%	55,418	55,766
SP500	↑	3,142	0.29%	3,133	3,142
FTSE 100	↑	7,216	0.03%	7,214	7,216
Hangseng	↑	26,645	0.79%	26,437	27,006
DAX	↑	13,147	0.58%	13,071	13,147
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	15,389	0.40%	15,328	15,389
Resources	↑	48,845	1.12%	48,303	48,845
Industrials	↑	66,514	0.34%	66,287	66,514
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	14.75	-0.23%	14.78	14.67
N\$/Pound	↑	19.46	0.07%	19.45	19.38
N\$/Euro	↑	16.41	0.09%	16.40	16.34
US dollar/ Euro	↑	1.113	0.32%	1.109	1.114
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↓	3.0	3.3	3.6	3.7
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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