



Market Update

Friday, 13 December 2019

Global Markets

Asian shares scaled eight-month peaks on Friday as a last-gasp Sino-U.S. trade deal and a likely major election win by Britain's Conservative Party cleared a couple of dark clouds from the global horizon.

The double dose of relief slugged safe-haven sovereign bonds and the Japanese yen, and led markets to scale back the chance of more interest rates cuts around the world. "Global investors have been given two of the biggest gifts on their Christmas list and should be appreciative for a while at least," said Sean Callow, a senior forex analyst at Westpac. "Global equity indices such as MSCI World should set more record highs and sterling could push above \$1.36."

The pound hit its highest since mid-2018 as the run of UK vote results ruled out a shock win by the left-wing Labour opposition, which had been a worry for investors. Prime Minister Boris Johnson looked set to gain a commanding majority in Britain's Parliament giving him the power to deliver Brexit, though trade talks with the European Union were set to drag on for months yet. The pound was last up 2.3% at \$1.3460 and reached levels on the euro not visited since mid-2016.

A wave of trade euphoria had already lifted Wall Street to record highs. Reuters reported the United States has agreed to reduce some tariffs on Chinese goods and delay a tranche of tariffs as part of a phase one deal. China also has agreed to make \$50 billion in agricultural purchases in 2020 as part of the deal, that person and another U.S. source familiar with the talks said.

"If the U.S. cuts the current tariffs to some extent as reported, that is not something markets have priced in, so we could see a further leg up," said Norihiro Fujito, chief investment strategist at Mitsubishi UFJ Morgan Stanley Securities in Tokyo. "The Conservatives appear to be on course for a big win. We are now finally seeing a clear direction on Brexit after three years of deadlock."

LESS NEED FOR MORE CUTS?

In Asia, Japan's Nikkei climbed 2.4% to a 14-month top, while Shanghai blue chips advanced 1.4%. MSCI's broadest index of Asia-Pacific shares outside Japan jumped 1.5% to its highest since late April. E-Mini futures for the S&P 500 rose 0.4% to another peak, and EUROSTOXX 50 futures gained 0.9%. FTSE futures eased 0.2%, perhaps because a Tory win had already been priced in.

Wall Street had celebrated the trade news with record highs. The Dow ended Thursday up 0.79%, while the S&P 500 gained 0.86% and the Nasdaq 0.73%. That was bad news for bonds and yields on U.S. 10-year Treasuries shot up to 1.91%, a rise of 12 basis points in just two sessions.

Interest rate futures slipped as investors priced in less chance of a rate cut from the Federal Reserve next year - a shift seen across a range of developed nations including the UK. Other safe harbours also took a beating, with the yen sliding across the board. The dollar firmed further to 109.60 yen having risen 0.7% overnight.

The dollar fared less well elsewhere as the pound and the euro both benefited from the UK exit polls. The euro added 0.4% to \$1.1176, while the dollar slipped to 96.792 on a basket of currencies. The dollar also lost out to the Chinese yuan to hit an 18-week low as any trade truce would be seen as a boon for the export-heavy economy. The dollar was last at 6.9607 yuan having shed a steep 1.2% overnight.

The shift from safe havens left spot gold flat at \$1,467.60 per ounce. Oil prices rallied on hopes a trade deal would support global growth and thus demand. U.S. crude added 31 cents to \$59.49 a barrel, while Brent crude rose 42 cents to \$64.62.

Source: Thomson Reuters

Domestic Markets

South Africa's rand raced to a six-week best on Thursday as another batch of data showing poor economic activity was offset by the benign monetary policy outlook in the United States after the Federal Reserve kept lending rates flat.

At 1515 GMT the rand was 1% stronger at 14.5230 per dollar, its firmest level since Oct. 28, bringing gains since the previous session to 1.7% in a relief rally sparked on Wednesday by the easing of nationwide blackouts. On Wednesday, President Cyril Ramaphosa said state utility Eskom would stabilise the national power grid by the end of March, and despite the utility entering an eighth straight day of power cuts on Thursday, sentiment was soothed by the shorter duration of cuts.

Economic data out on Thursday did not help. Mining output fell 2.9% year-on-year in October, while producer price inflation slowed to a 2.3% year-on-year increase in November from 3%, indicating depressed levels of activity and buying. A poll of analysts by Reuters now puts 2019 GDP at 0.4%, with a 40% chance the country has sunk into recession.

But the U.S. central bank's decision on Wednesday to keep rates steady, with chair Jerome Powell saying a significant, persistent inflation rise would be needed to hike rates, buoyed risk assets and the rand as the carry trade remained attractive.

On the bourse, stocks ticked up alongside emerging market shares as the prospect of an accommodating U.S. Federal Reserve policy pushed money into equities and undercut the dollar.

Shares traded flat in the afternoon session, with the benchmark JSE Top-40 Index up 0.13% to 49,603.06 points while the broader All-Share Index rose 0.1% to 55,824.08 points.

Gold miners topped the bourse despite data indicating that mining output had fallen 2.9% year-on-year. Gold Fields was up 2.09% to 89.71 rand while Sibanye-Stillwater was up 1.15% to 34.39 rand. "I think the mining figures weren't that big of a surprise. If you think about it GDP data came out a while back. We already knew that our mining was a bit slower, our production is a bit slower, and we all know that it's due to Eskom," said Alisha Coetzee, analyst at FFO Securities.

In fixed income, the yield on the benchmark government bond due in 2026 was down 1.5 basis points to 8.375%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS		13 December 2019			
Money Market TB's		Last Close	Change	Prev Close	Current Spot
3 months	↑	7.301	0.087	7.214	7.301
6 months	↑	7.572	0.177	7.395	7.572
9 months	↑	7.781	0.136	7.645	7.781
12 months	↑	7.836	0.088	7.748	7.836
Nominal Bonds		Last Close	Change	Prev Close	Current Spot
GC20 (BMK: R207)	↑	7.463	0.154	7.309	7.447
GC21 (BMK: R2023)	↓	8.050	-0.091	8.141	8.050
GC22 (BMK: R2023)	↑	8.057	0.014	8.043	8.061
GC23 (BMK: R2023)	↑	8.395	0.021	8.374	8.385
GC24 (BMK: R186)	↓	8.977	-0.020	8.997	8.967
GC25 (BMK: R186)	↓	8.996	-0.031	9.027	8.987
GC27 (BMK: R186)	↓	9.277	-0.001	9.278	9.286
GC30 (BMK: R2030)	↑	9.971	0.034	9.937	9.972
GC32 (BMK: R213)	↑	10.446	0.064	10.382	10.455
GC35 (BMK: R209)	↑	10.920	0.082	10.838	10.926
GC37 (BMK: R2037)	↑	11.226	0.162	11.064	11.286
GC40 (BMK: R214)	↑	11.457	0.140	11.317	11.449
GC43 (BMK: R2044)	↑	11.805	0.119	11.686	11.871
GC45 (BMK: R2044)	↑	11.942	0.073	11.869	11.935
GC50 (BMK: R2048)	↑	12.117	0.067	12.050	12.129
Inflation-Linked Bonds		Last Close	Change	Prev Close	Current Spot
GI22 (BMK: NCPI)	↑	4.381	0.016	4.365	4.382
GI25 (BMK: NCPI)	↑	4.626	0.025	4.601	4.631
GI29 (BMK: NCPI)	↑	5.702	0.066	5.636	5.708
GI33 (BMK: NCPI)	↑	6.254	0.040	6.214	6.255
GI36 (BMK: NCPI)	↑	6.453	0.014	6.439	6.458
Commodities		Last Close	Change	Prev Close	Current Spot
Gold	↓	1,469.80	-0.34%	1,474.88	1,466.82
Platinum	↑	944.54	0.49%	939.94	933.50
Brent Crude	↑	64.20	0.75%	63.72	64.65
Main Indices		Last Close	Change	Prev Close	Current Spot
NSX Overall Index	↑	590.64	0.26%	589.13	590.64
JSE All Share	↑	56,578.88	1.35%	55,824.08	56,578.88
S&P 500	↑	3,168.57	0.86%	3,141.63	3,168.57
FTSE 100	↑	7,273.47	0.79%	7,216.25	7,273.47
Hangseng	↑	27,617.40	2.31%	26,994.14	27,617.40
DAX	↑	13,221.64	0.57%	13,146.74	13,221.64
JSE Sectors		Last Close	Change	Prev Close	Current Spot
Financials	↓	15,363.13	-0.17%	15,388.64	15,791.09
Resources	↑	48,894.64	0.10%	48,844.67	49,124.99
Industrials	↑	66,679.31	0.25%	66,514.26	67,621.41
Forex		Last Close	Change	Prev Close	Current Spot
N\$/US Dollar	↓	14.50	-1.23%	14.68	14.47
N\$/Pound	↓	19.10	-1.44%	19.38	19.45
N\$/Euro	↓	16.14	-1.22%	16.34	16.16
US Dollar/ Euro	→	1.11	0.00%	1.11	1.12
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↓	2.50	3.02	3.60	3.70
Prime Rate	→	10.25	10.25	10.00	10.00
Central Bank Rate	→	6.50	6.50	6.50	6.50

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



Capricorn Asset Management



Bank Windhoek

For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na

Disclaimer

The information contained in this note is the property of Capricorn Asset Management (CAM). The information contained herein has been obtained from sources which and persons whom the writer believe to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute the writer's judgement as of the date of this material and are subject to change without notice. This note is provided for informational purposes only and may not be reproduced in any way without the explicit permission of CAM.

A member of  **Capricorn Group**
