



## Market Update

Monday, 13 January 2020

### Global Markets

Asian shares rose to new 19-month highs on Monday ahead of the expected signing on a Phase 1 China-U.S. trade deal, although markets have yet to see the details of the agreement.

MSCI's broadest index of Asia-Pacific shares outside Japan was 0.47% higher, touching its highest point since June 2018. Japanese markets were closed for a holiday. South Korea's trade-sensitive Kospi added 0.73% and Hong Kong's Hang Seng was up 0.74%, while Taiwan shares added 0.6% in the first trading day after Taiwanese re-elected President Tsai Ing-wen by a landslide on Saturday.

Mainland Chinese shares lagged the regional index after China's major equity indexes logged their sixth consecutive weekly rise last week, the longest such streak since the first quarter of 2019. The benchmark Shanghai Composite Index ended the morning session up just 0.06%. Investors in China are looking ahead to trade and economic growth data due this week, which is expected to shed more light on some early signs of economic improvement after the country logged its slowest pace of growth in nearly three decades in the third quarter.

Japan's Nikkei was closed for a holiday. It fell sharply early last week when Iran attacked bases hosting U.S. military in Iraq, only to rally almost a thousand points when the two countries stepped back from hostilities. E-Mini futures for the S&P 500 edged up 0.28%, to be just off all-time highs.

The main event of the week will be the signing of the Phase 1 trade deal between the United States and China on Wednesday. The Trump administration has invited at least 200 people to the White House for the ceremony. "A calmer geopolitical backdrop and the signing of the U.S.-China Phase 1 agreement is, on balance, favourable for global growth," said Joseph Capurso, an FX strategist at CBA. "However, the 86-page Phase 1 agreement has not yet been made public. There are doubts how comprehensive the deal is, and whether the Phase 1 agreement will be implemented in full by both governments."

Washington has reserved the right to re-impose tariffs if it judges China is not abiding by the deal. "If there is any surprise from the Phase 1 deal ... that may actually cause some kind of volatility," said Tommy Xie, economist and head of greater China research at OCBC in Singapore. "People are really focused on whether China is really committed to purchase additional \$200 billion in goods and services from the U.S. over the next two years ... there's not much commitment from China yet." Xie said China's fourth-quarter and 2019 full-year GDP figures, due on

Friday, are also likely to draw close scrutiny as investors look for signs that improvements seen in recent manufacturing surveys are reflected in broader growth and investment figures.

Wall Street slipped and bonds rallied on Friday when data showed U.S. nonfarm payrolls missed forecasts with a rise of 145,000, while wages and hours worked were soft. "This is the perfect employment report for the Fed to continue to run the economy 'hot', as views on the natural rate of unemployment continue to drop," said Alan Ruskin, Deutsche Bank's global head of FX strategy. "This is perfect for risky assets."

On Monday, the euro gained 0.06% to \$1.1126, up from a \$1.1083 low on Friday. Support comes in around \$1.1060, while the recent peak at \$1.1239 marks stiff resistance. The dollar was firm on the yen at 109.61 but faces tough resistance around 109.70 where rallies have repeatedly failed in the past couple of months. Against a basket of currencies, the dollar was stuck at 97.357, well within the recent trading range of 96.355 to 97.817. The pound dipped 0.18% to \$1.3035 after Bank of England policymaker Gertjan Vlieghe said he will vote for a cut in interest rates later this month, barring an "imminent and significant" improvement in the growth data.

Spot gold slipped 0.37% to \$1,556.30 per ounce, having hit a seven-year top last week of \$1,610.90 at the height of Iran-U.S. tensions. Oil prices were slightly firmer after suffering the first weekly loss since late November. Brent crude futures were up 6 cents at \$65.04 a barrel, while U.S. crude added 10 cents to \$59.14 a barrel.

**Source: Thomson Reuters**

## **Domestic Markets**

South Africa's rand weakened against the dollar on Friday as power cuts weighed on the economy, while investors awaited a key interest rate decision from the central bank next week. The rand was trading at 14.2700 per dollar at 1444 GMT, 0.67% weaker than its previous close.

Many financial markets were rapidly reversing sharp falls seen at the start of the week following the killing of Iran's top general in a U.S. air strike, as fears of imminent conflict in the Middle East abated. The rand also regained some ground, but it was held back by troubled state utility Eskom's scheduled power cuts, which have dragged on efforts to revive growth in the continent's most industrialised economy.

Weak domestic data throughout the week has also failed to provide a basis for optimism, NKC African Economics said in a note. "Recent manufacturing and upcoming mining data may be a precursor to a dismal Q4 GDP reading," it said.

Investors were waiting for the outcome of the South African Reserve Bank's monetary policy meeting next Thursday, when it will announce its interest rate decision after keeping rates on hold at 6.5% at its last meeting.

Kieran Siney from ETM Analytics said this would be the key event to watch in the coming week, predicting the central bank would remain cautious amid a "precarious" fiscal situation in South Africa. "If the SARB does indeed take a cautious stance and keeps rates on hold, we could see that provide the rand with some support next week," he said.

Stocks, however, received a boost from the easing of concerns over U.S.-Iran tensions eased. The Johannesburg Stock Exchange's Top-40 index rose 0.65% to 51,245 points and the broader all-share index closed up 0.62% at 57,485 points. Africa's largest mobile operator by subscribers, MTN, was

the biggest winner on the blue-chip index, rising over 5% after Nigeria withdrew a \$2 billion tax demand in a closely watched case.

In fixed income, the yield on the benchmark government bond due in 2026 was down 2.5bp to 8.215%.

**Source: Thomson Reuters**

## Market Overview

MARKET INDICATORS (Thomson Reuters)		Monday, 13 January 2020			
<b>Money Market TB's</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	↓	7.07	-0.016	7.08	7.03
6 months	↓	7.60	-0.001	7.60	7.63
9 months	↓	7.71	-0.004	7.72	7.71
12 months	↓	7.81	-0.001	7.81	7.81
<b>Nominal Bonds</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC20 (BMK: R207)	↑	7.39	0.040	7.35	7.39
GC21 (BMK: R2023)	→	7.92	0.000	7.92	7.97
GC22 (BMK: R2023)	↓	8.10	-0.055	8.15	8.11
GC23 (BMK: R2023)	↓	8.20	-0.055	8.25	8.21
GC24 (BMK: R186)	↓	8.84	-0.015	8.86	8.84
GC25 (BMK: R186)	↓	8.87	-0.015	8.89	8.87
GC27 (BMK: R186)	↓	9.42	-0.015	9.44	9.42
GC30 (BMK: R2030)	↓	9.93	-0.005	9.94	9.92
GC32 (BMK: R213)	↓	10.20	-0.020	10.22	10.20
GC35 (BMK: R209)	↓	10.70	-0.020	10.72	10.70
GC37 (BMK: R2037)	↓	10.88	-0.015	10.89	10.88
GC40 (BMK: R214)	↓	11.21	-0.010	11.22	11.21
GC43 (BMK: R2044)	→	11.41	0.000	11.41	11.41
GC45 (BMK: R2044)	→	11.61	0.000	11.61	11.61
GC50 (BMK: R2048)	↑	11.94	0.005	11.94	11.94
<b>Inflation-Linked Bonds</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
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
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↑	1,562	0.63%	1,552	1,554
Platinum	↑	978	1.22%	966	973
Brent Crude	↓	65.0	-0.60%	65.4	65.1
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	↑	1,290	0.47%	1,284	1,290
JSE All Share	↑	57,485	0.62%	57,129	57,485
SP500	↓	3,265	-0.29%	3,275	3,265
FTSE 100	↓	7,588	-0.14%	7,598	7,588
Hangseng	↑	28,638	0.27%	28,561	28,907
DAX	↓	13,483	-0.09%	13,495	13,483
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↑	15,432	0.24%	15,394	15,432
Resources	↑	49,284	0.38%	49,097	49,284
Industrials	↑	71,026	1.01%	70,316	71,026
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↑	14.36	0.94%	14.22	14.31
N\$/Pound	↑	18.75	0.90%	18.58	18.65
N\$/Euro	↑	15.97	1.08%	15.80	15.93
US dollar/ Euro	↑	1.112	0.14%	1.111	1.113
		<b>Namibia</b>		<b>RSA</b>	
<b>Economic data</b>		<b>Latest</b>	<b>Previous</b>	<b>Latest</b>	<b>Previous</b>
Inflation	↓	2.5	3.0	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



---

**For enquiries concerning the Daily Brief please contact us at**

**[Daily.Brief@capricorn.com.na](mailto: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**

---