



Market Update

Monday, 13 May 2019

Global Markets

U.S. stock futures and Asian shares fell on Monday on growing anxiety over whether the United States and China will be able to salvage a trade deal, after Washington sharply hiked tariffs and Beijing vowed to retaliate. The United States and China appeared at a deadlock over trade negotiations on Sunday as Washington demanded promises of concrete changes to Chinese law and Beijing said it would not swallow any "bitter fruit" that harmed its interests.

Investors are bracing for threatened "countermeasures" from China in retaliation for Washington's tariff increase on Friday on \$200 billion worth of Chinese goods. The move followed accusations by U.S. President Donald Trump that Beijing "broke the deal" by renegeing on earlier commitments.

White House economic adviser Larry Kudlow told a Fox News program that China needs to agree to "very strong" enforcement provisions for an eventual deal and said the sticking point was Beijing's reluctance to put into law changes that had been agreed upon. Kudlow said the U.S. tariffs would remain in place while negotiations continue and there is a "strong possibility" that Trump will meet Chinese President Xi Jinping at a G20 summit in Japan in late June.

E-Mini futures for the S&P 500 shed 1.0%. MSCI's broadest index of Asia-Pacific shares outside Japan dropped 0.5%, nearing its two-month low marked on Thursday. Chinese shares tumbled, with the benchmark Shanghai Composite and the blue-chip CSI 300 shedding as much as 1.6% and 1.9%, respectively, before paring some of the losses. Hong Kong's financial markets were closed for a holiday. Japan's Nikkei average sunk as much as 1.0% to hit its lowest level since March 28. It last traded down 0.5%.

U.S. benchmark 10-year Treasury note yield inched down to 2.437%, partly as a safe haven but also on speculation that the escalating trade war would put more pressure on global growth and thus keep major central banks accommodative.

The offshore Chinese yuan fell to its lowest levels in more than four months at 6.88 to the dollar. It last stood down 0.5% at 6.852 per dollar. The other major currencies were relatively calm, with the safe-haven yen still supported but not aggressively so. The dollar was holding at 109.75 yen, down 0.2% on the day and just above a 14-week trough of 109.46. The euro was steady at \$1.1233, while the dollar was little changed against a basket of currencies at 97.302

In commodity markets, oil prices remained in a relatively tight range, with the U.S. crude futures were last down 0.1% at \$61.62 a barrel, while Brent crude futures gained 0.3 percent at \$70.81. Spot gold eased 0.1% to \$1,283.61 per ounce.

Source: Thomson Reuters

Domestic Markets

South Africa's rand strengthened more than 1% on Friday on expectations of political continuity, as the governing African National Congress (ANC) headed for a national election victory. The ANC held a commanding lead with 94% of voting districts counted, according to the electoral commission's website. It had secured 57.7% of the vote, with the main opposition Democratic Alliance (DA) on 20.6% and the leftist Economic Freedom Fighters (EFF) on 10.5%.

At 1545 GMT, the rand traded at 14.1900 per dollar, 1.08% firmer than Thursday's New York close. "The rand has already rallied a couple of percentage points from 14.45, with its strong run starting just before the vote and consolidating as the election outcome get clearer and more resilient to surprises," said TS Securities in a note. "Preliminary results indicate that (the) ANC has got close enough to allow further rand strength in the near future."

Also powering the rand were hopes that the U.S. and China will find a middle ground in their trade dispute, said FXTM Research analyst, Lukman Otunuga in a note.

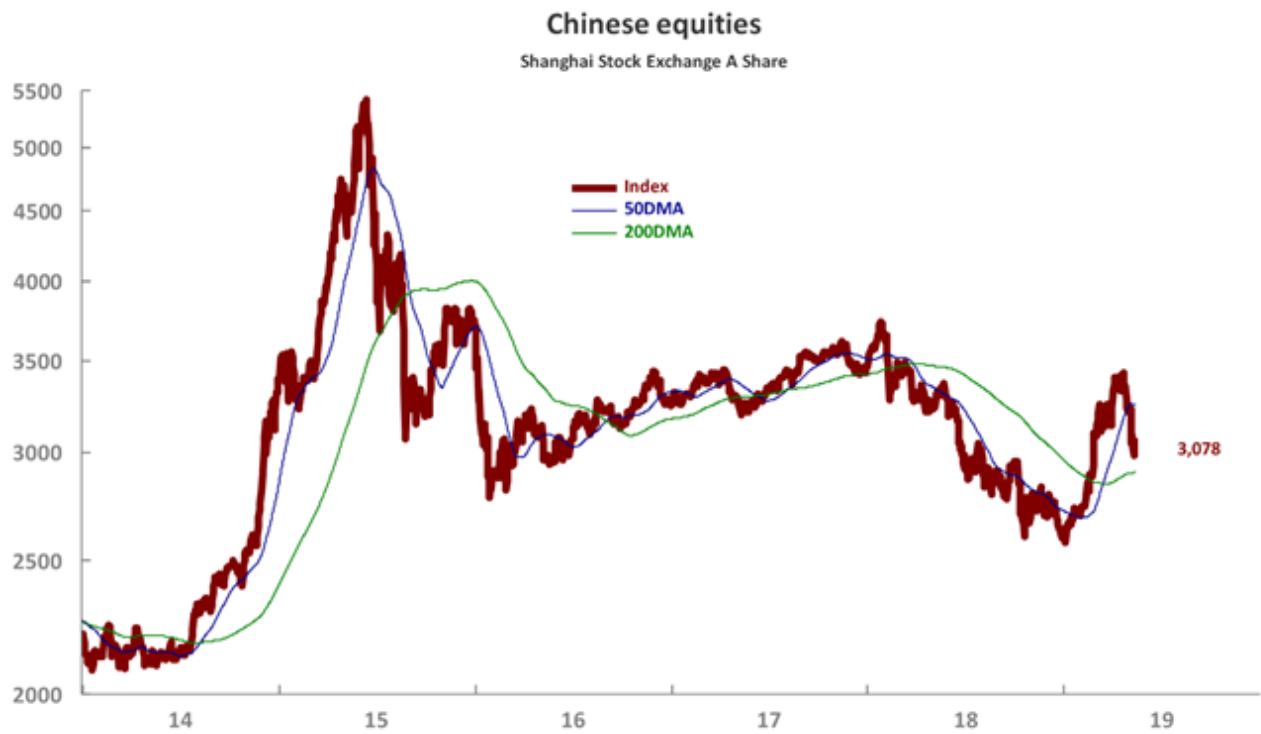
In fixed income, the yield on the benchmark bond due in 2026 was down 9 basis points at 8.460 percent.

Stocks also rose on the election news, tracking gains in other emerging markets too. The Johannesburg All-share index rose 0.5% to 56,780 points, while the Top-40 index firmed 0.54% to 50,533 points. Leading blue-chip gainers were financial stocks, with Standard Bank up 4.08% and FirstRand up 3.72%. Absa Group and Nedbank climbed 3.43% and 3.13 percent respectively.

Source: Thomson Reuters



Chart of the Day



Source: Thomson Reuters Datastream, Capricorn Asset Management

Market Overview

MARKET INDICATORS		13 May 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	➔	7.41	0.000	7.41	7.31
6 months	➔	7.65	0.000	7.65	7.58
9 months	➔	7.92	0.000	7.92	7.92
12 months	➔	8.16	0.000	8.16	8.13
Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	⬇	7.70	-0.073	7.77	7.70
GC24 (BMK: R186)	⬇	9.21	-0.244	9.45	9.18
GC27 (BMK: R186)	⬇	9.30	-0.353	9.66	9.30
GC30 (BMK: R2030)	⬇	10.06	-0.469	10.53	10.34
GI22 (BMK: NCPI)	➔	4.54	0.000	4.54	4.54
GI25 (BMK: NCPI)	➔	5.11	0.000	5.11	5.11
GI29 (BMK: NCPI)	➔	5.73	0.000	5.73	5.73
Commodities		Last close	Change	Prev close	Current Spot
Gold	⬆	1,286	0.14%	1,284	1,283
Platinum	⬆	861	2.01%	844	851
Brent Crude	⬆	70.6	0.33%	70.4	71.1
Main Indices		Last close	Change	Prev close	Current Spot
NSX (Delayed)	⬆	1,363	1.72%	1,340	1,363
JSE All Share	⬆	56,781	0.50%	56,496	56,781
SP500	⬆	2,881	0.37%	2,871	2,881
FTSE 100	⬇	7,203	-0.06%	7,207	7,203
Hangseng	⬆	28,550	0.84%	28,311	28,550
DAX	⬆	12,060	0.72%	11,974	12,060
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬆	17,297	2.55%	16,867	17,297
Resources	⬇	43,811	-0.51%	44,037	43,811
Industrials	⬆	70,229	0.21%	70,084	70,229
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬇	14.17	-1.28%	14.35	14.26
N\$/Pound	⬇	18.41	-1.36%	18.67	18.55
N\$/Euro	⬇	15.91	-1.12%	16.09	16.02
US dollar/ Euro	⬆	1.123	0.12%	1.12	1.123
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	⬆	4.5	4.4	4.5	4.1
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

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**
