



## Market Update

Tuesday, 14 January 2020

### Global Markets

Asian shares hit a 7-month high, China's yuan jumped and safe-harbour assets slipped on Tuesday, amid signs of goodwill between China and the United States, as the world's two biggest economies prepared to sign a truce in their trade war.

The U.S. Treasury Department on Monday said China should no longer be designated a currency manipulator - a label it applied as the yuan dropped in August. China, meanwhile, allowed the tightly managed currency to climb to its highest point since July, after fixing the yuan's trading-band midpoint at its firmest in more than five months. The yuan sat 0.4% firmer at 6.8677 per dollar by mid-session. The moves come as a Chinese delegation arrived in Washington ahead of Wednesday's signing of the Phase 1 trade agreement, seen as calming a dispute that has upended the world economy.

MSCI's broadest index of Asia-Pacific shares outside Japan hit its highest since June in morning trade, driving world stocks to a record high. Japan's Nikkei added 0.7% and hit its highest point in a month. Hong Kong's Hang Seng rose to its highest since May and Shanghai blue chips scaled heights not touched since January 2018, though both later pared gains. Australia's S&P/ASX 200 rose 0.7% to a record intraday high. Gold fell and the safe-harbour Japanese yen dropped to a seven-month low.

"There have been a number of false starts," said Vishnu Varathan, head of economics at Mizuho Bank in Singapore. "The fact that this is really coming to the moment when the rubber hits the road is the most tangible evidence of traction in starting to resolve issues, that's what's driving optimism." Chinese economic data showing rising exports and imports in December also put a floor under gains.

Overnight Wall Street logged record closing highs, helped by sharp rises in technology stocks as investors bet firms such as Facebook Inc, Microsoft Corp and Apple Inc might have the most to gain from revived global growth. The S&P 500 rose 0.7% to a record closing high, while the Nasdaq Composite added 1% and also closed at a record peak. The Dow Jones Industrial Average rose 0.29%.

With the text of the Sino-U.S. deal yet to be finalised, some fretted the gains could leave stocks exposed should anything go awry, with modest volumes in equity markets hinting at caution. "The market appears to be fully pricing a signed agreement," said CMC Markets' chief strategist in Sydney, Michael McCarthy. "It's buy the rumour, sell the fact... Even a delay could see an extremely negative reaction," he said. United States Trade Representative Robert Lighthizer told Fox Business late on

Monday that the Chinese translation of the deal's text was almost done. "We're going to make it public on Wednesday before the signing," he said.

In tandem with the rally, safe-harbour assets slid lower on Tuesday. Gold extended Monday's fall to trade 0.6% weaker at \$1538.76 per ounce. Oil nursed losses and yields on benchmark U.S. Treasuries rose as prices fell. Brent Crude was steady around \$64.37 per barrel. Ten-year Treasury note yields rose to 1.8599% compared with the U.S. close of 1.848%.

In currency markets, the yen weakened past the 110 yen-per-dollar mark while the yuan's strength helped lift trade-exposed currencies across Asia. Besides the trade deal, investors are also looking to U.S. inflation data due later on Tuesday and the beginning of the fourth-quarter U.S. company results season. Big banks JPMorgan Chase & Co, Citigroup Inc and Wells Fargo & Co are due to report earnings before market open on Tuesday.

**Source: Thomson Reuters**

## **Domestic Markets**

South Africa's rand weakened against the dollar on Monday ahead of a central bank meeting later in the week and key economic data that investors will use to gauge how the economy is performing. By 1621 GMT, the rand traded at 14.4250 per dollar, 0.35% weaker than its close on Friday.

This week the focus will shift to the South African Reserve Bank's monetary policy meeting on Thursday, when it will announce its interest rate decision after keeping rates on hold at 6.5% at its last meeting.

Other key data due this week include consumer confidence on Tuesday, November retail sales on Wednesday and mining production on Thursday.

"Where the rand concludes this week may be heavily influenced by the South African Reserve Bank's rates decision," said Lukman Otunuga, Senior Research Analyst at FXTM. "While the central bank is widely expected to leave interest rates unchanged at 6.5% in January, much focus will be on the statement and whether any clues are offered on monetary policy this quarter."

The rand also reacted to Moody's comments that low growth and limited scope to reduce spending will keep South Africa's fiscal deficits elevated in 2020. The ratings agency said it expects only a modest acceleration in growth to 1% in 2020 from 0.7% in 2019, "which is still below the 1.7% average growth rate recorded over the past decade. "South Africa has struggled to implement reforms that would durably lift growth due in part to outstanding vested interests," Moody's said in its 2020 outlook on Sub Saharan African countries report.

In November, Moody's kept the country's last investment-grade credit rating intact, but revised the outlook on that rating from stable to negative, sending a warning that a downgrade could follow in the next 12-18 months - or sooner if the government doesn't come up with a credible budget in February.

The rand has struggled for momentum in recent weeks as power cuts and weak domestic economic data failed to provide a basis for optimism. Troubled state utility Eskom said it did not plan to implement rotational power cuts on Monday, but cautioned it would do so if it lost generation units during the day.

In fixed income, the yield on the benchmark instrument due in 2026 was up 5 basis point to 8.280%.

In the equities market, the Johannesburg All-share index rose 0.15% to 57,572 points, while the Top-40 index gained 0.19% to 51,343 points. Stocks gained alongside emerging market peers as investors awaited the signing of a U.S.-China trade deal this week. Among the gainers, Massmart, majority-owned by U.S. retail giant Walmart, climbed 5.80% to 51.64 rand after the retailer said it could cut up to 1,440 jobs under a plan to close some stores as it struggles to grow sales in a tough economy.

**Source: Thomson Reuters**



## Market Overview

MARKET INDICATORS (Thomson Reuters)		Tuesday, 14 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	7.50
6 months	↓	7.60	-0.001	7.60	7.68
9 months	↓	7.71	-0.004	7.72	7.75
12 months	↓	7.81	-0.001	7.81	7.82
<b>Nominal Bonds</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC20 (BMK: R207)	→	7.39	0.000	7.39	7.39
GC21 (BMK: R2023)	↓	7.91	-0.005	7.92	7.91
GC22 (BMK: R2023)	↑	8.15	0.055	8.10	8.13
GC23 (BMK: R2023)	↑	8.25	0.055	8.20	8.23
GC24 (BMK: R186)	↑	8.90	0.060	8.84	8.88
GC25 (BMK: R186)	↑	8.93	0.060	8.87	8.91
GC27 (BMK: R186)	↑	9.48	0.060	9.42	9.46
GC30 (BMK: R2030)	↑	9.98	0.045	9.93	9.96
GC32 (BMK: R213)	↑	10.25	0.055	10.20	10.23
GC35 (BMK: R209)	↑	10.76	0.065	10.70	10.75
GC37 (BMK: R2037)	↑	10.94	0.065	10.88	10.93
GC40 (BMK: R214)	↑	11.29	0.075	11.21	11.27
GC43 (BMK: R2044)	↑	11.49	0.080	11.41	11.48
GC45 (BMK: R2044)	↑	11.69	0.080	11.61	11.68
GC50 (BMK: R2048)	↑	12.02	0.075	11.94	12.01
<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	↓	1,548	-0.90%	1,562	1,538
Platinum	↓	974	-0.42%	978	969
Brent Crude	↓	64.2	-1.20%	65.0	64.2
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	↑	1,292	0.17%	1,290	1,292
JSE All Share	↑	57,573	0.15%	57,485	57,573
SP500	↑	3,288	0.70%	3,265	3,288
FTSE 100	↑	7,618	0.39%	7,588	7,618
Hangseng	↑	28,955	1.11%	28,638	28,949
DAX	↓	13,452	-0.24%	13,483	13,452
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↓	15,284	-0.96%	15,432	15,284
Resources	↑	49,591	0.62%	49,284	49,591
Industrials	↑	71,317	0.41%	71,026	71,317
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↑	14.40	0.27%	14.36	14.38
N\$/Pound	↓	18.70	-0.29%	18.75	18.68
N\$/Euro	↑	16.03	0.39%	15.97	16.02
US dollar/ Euro	↑	1.113	0.12%	1.112	1.114
		<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



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