



## Market Update

Tuesday, 15 October 2019

### Global Markets

Asian stocks and Wall Street futures inched higher on Tuesday as some investors held out hope that Britain still had a chance to avoid a messy exit from the European Union at key negotiations this week. MSCI's broadest index of Asia-Pacific shares outside Japan was up 0.1%. South Korean shares rose 0.21%, while Japan's Nikkei stock index was up 1.74%.

Capping broader gains, however, was a perceived lack of progress coming out of U.S.-China trade negotiations. Reports of a "Phase 1" trade deal between the United States and China last week had earlier cheered markets but the dearth of details around the agreement has since curbed this enthusiasm with oil prices extending declines, Chinese stocks weaker and the safe-haven yen holding gains versus dollar.

The focus has now shifted to Europe where officials from Britain and the EU will meet at a make-or-break summit on Thursday and Friday that will determine whether or not Britain is headed for a so-called no-deal Brexit. "Given the parliamentary intervention, I would say the chance of a no-deal Brexit is around 10% to 20%," said Shane Oliver, head of investment strategy and chief economist at AMP Capital Investors in Sydney. "If there is a deal, sterling would rally and risk assets would rally, but the reaction could be limited to a day."

U.S. stock futures rose 0.23% on Tuesday in Asia after the S&P 500 ended 0.14% lower. Traders, however, cautioned that sentiment remains fragile because the outcome of Brexit talks is far from certain and the U.S.-China trade war remains a risk to global growth. British Prime Minister Boris Johnson wants to strike an exit deal at an EU summit on Thursday and Friday to allow an orderly departure on Oct. 31. The main sticking point remains the border between EU member Ireland and Northern Ireland, which belongs to the UK. Some EU politicians have expressed guarded optimism that a deal can be reached. However, diplomats from the EU have indicated they are pessimistic about Johnson's proposed solution for the border and want more concessions.

In the currency market, sterling edged up to \$1.2620, below a three-month high of \$1.2708. The yen, often considered a safe haven in times of economic uncertainty, held steady at 108.35 versus the dollar. A perceived lack of progress in resolving a prolonged trade row between the United States and China also weighed on investor confidence. Chinese stocks fell 0.38% on Tuesday, led by declines in the technology sector. In the onshore market, the yuan traded at 7.0654 per dollar, weaker than a one-month high of 7.0494 reached on Monday. The United States agreed to delay an

Oct. 15 increase in tariffs on Chinese goods while Beijing said it would buy as much as \$50 billion of U.S. agricultural products after tense negotiations last week. However, Washington has left in place tariffs on hundreds of billions of dollars of Chinese goods. Trade experts and China market analysts say chances are high that Washington and Beijing will fail to agree on any specifics - as happened in May - in time for a mid-November meeting between Trump and Chinese President Xi Jinping.

U.S. crude fell 0.49% to \$53.33 per barrel following a 2% decline overnight due to worries that global energy demand will remain weak. Brent crude also fell 0.42% to \$59.10 per barrel. By early last week, hedge funds had become the most bearish towards petroleum prices since the start of the year, according to an analysis of position records published by the U.S. Commodity Futures Trading Commission and ICE Futures Europe.

## Domestic Markets

The South African rand on Monday retreated from a three-week high it hit in the previous session, as a lack of clarity on U.S.-China trade relations pushed investors back to safe havens and hurt risk appetite. Stocks snapped a two-session winning streak, dipping in line with global stock markets. At 1520 GMT, the rand was 0.49% weaker at 14.8250 per dollar, retreating Friday's rally to 14.7100, which was its firmest level since Sept. 19.

U.S. President Donald Trump on Friday outlined the first phase of a deal to end the protracted Sino-U.S. trade war and suspended a threatened tariff hike, the biggest step by the two countries in 15 months. But optimism was tempered on Monday after a Bloomberg report - that China wants further talks with the United States before signing Trump's Phase One deal - hit risk sentiment in Europe.

"While markets were initially rejoicing at the idea of a progression in trade talks between the U.S. and China, further detail has emerged that celebrations might still be too pre-emptive," said Shaun Murison, senior market analyst at IG. "Brexit negotiations are also unnerving markets, with EU diplomats questioning the latest UK efforts to reach a deal."

A Brexit deal was hanging in the balance on Monday after diplomats indicated the EU wanted more concessions from Prime Minister Boris Johnson and that a full agreement was unlikely this week.

In South Africa, with retail sales figures on Wednesday the only major economic data under the spotlight, positioning will continue to be influenced to by offshore developments, traders said.

On the bourse, stocks retreated from a three-week high hit in the previous session, with the Johannesburg All-Share index closing 0.57% lower at 55,219 points and the Top-40 index down 0.59% to 49,110 points. Last week's trade optimism pushed the all-share index up to a level last seen on Sept.23. BP Bernstein Portfolio Manager Gerhard Parkin said stocks were responding to the trade headlines at the moment, with Vestact analysts saying in a note: "Like all good political plans and deals, this phase one trade deal is very light on details."

Petrochemicals company Sasol halted a two-session winning streak as oil prices dived 2% due to caution over the first phase of the trade deal. Sasol shares closed 3.02% weaker at 274.62 rand. In fixed income, the yield on the benchmark government paper due in 2026 was down by a single basis point to 8.225.

**Source: Thomson Reuters**



## Market Overview

MARKET INDICATORS (Thomson Reuters)		Tuesday, 15 October 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	➡	7.06	0.000	7.06	6.87
6 months	➡	7.18	0.000	7.18	7.08
9 months	➡	7.35	0.000	7.35	7.26
12 months	➡	7.50	0.000	7.50	7.39
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	⬇	7.36	-0.001	7.36	7.36
GC21 (BMK: R2023)	⬇	7.54	-0.215	7.75	7.75
GC22 (BMK: R2023)	⬇	8.06	-0.025	8.09	8.07
GC23 (BMK: R2023)	⬇	8.55	-0.016	8.56	8.56
GC24 (BMK: R186)	⬆	8.94	0.105	8.84	8.84
GC25 (BMK: R186)	⬆	9.57	0.745	8.82	8.83
GC27 (BMK: R186)	⬆	9.91	0.875	9.04	9.04
GC30 (BMK: R2030)	⬆	10.19	0.692	9.50	9.52
GC32 (BMK: R213)	⬆	10.50	0.405	10.10	10.12
GC35 (BMK: R209)	⬇	10.39	-0.010	10.40	10.41
GC37 (BMK: R2037)	⬇	10.50	-0.010	10.51	10.52
GC40 (BMK: R214)	⬇	10.96	-0.015	10.97	10.97
GC43 (BMK: R2044)	⬇	10.91	-0.015	10.92	10.92
GC45 (BMK: R2044)	⬇	11.38	-0.015	11.39	11.39
GC50 (BMK: R2048)	⬇	11.64	-0.015	11.65	11.65
Inflation-Linked Bonds		Last close	Difference	Prev close	Current Spot
GI22 (BMK: NCPI)	➡	4.40	0.000	4.40	4.40
GI25 (BMK: NCPI)	➡	4.65	0.000	4.65	4.65
GI29 (BMK: NCPI)	➡	5.61	0.000	5.61	5.61
GI33 (BMK: NCPI)	➡	6.19	0.000	6.19	6.19
GI36 (BMK: NCPI)	➡	6.54	0.000	6.54	6.54
Commodities		Last close	Change	Prev close	Current Spot
Gold	⬆	1,493	0.22%	1,489	1,491
Platinum	⬆	893	0.39%	890	891
Brent Crude	⬇	59.4	-1.92%	60.5	59.0
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬇	1,288	-1.02%	1,301	1,288
JSE All Share	⬇	55,219	-0.57%	55,537	55,219
SP500	⬇	2,966	-0.14%	2,970	2,966
FTSE 100	⬇	7,213	-0.46%	7,247	7,213
Hangseng	⬆	26,522	0.81%	26,308	26,494
DAX	⬇	12,487	-0.20%	12,512	12,487
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬇	15,911	-0.31%	15,961	15,911
Resources	⬇	44,225	-1.62%	44,953	44,225
Industrials	⬇	68,814	-0.01%	68,820	68,814
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬆	14.82	0.14%	14.80	14.77
N\$/Pound	⬇	18.68	-0.19%	18.72	18.72
N\$/Euro	⬆	16.34	0.03%	16.34	16.31
US dollar/ Euro	⬇	1.103	-0.11%	1.104	1.104
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	⬆	3.7	3.6	4.3	4.0
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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