



## Market Update

Monday, 16 December 2019

### Global Markets

A broad gauge of Asian share markets hit nearly eight-month highs on Monday after the United States and China agreed a preliminary trade deal, and amid policy-easing hopes in Australia, but profit-taking and caution over the deal's details capped gains. U.S. Trade Representative Robert Lighthizer on Sunday said a deal was "totally done", notwithstanding some needed revisions, and would nearly double U.S. exports to China over the next two years.

Positive sentiment helped push the MSCI's broadest index of Asia-Pacific shares outside Japan to its highest level since April 18. It was last up 0.35%. Australia's S&P/ASX 200 led the way as it jumped 1.74%, while shares in Taiwan added 0.23%.

Ryan Felsman, senior economist at CommSec in Sydney, said that the trade deal and the receding risk of a disorderly Brexit after the UK general election produced a strong Conservative majority provided support for sentiment in Australia. A lower-than-expected Australian budget surplus due to a sluggish economy has "built expectations by markets for further easing from the Reserve Bank (of Australia)," he said, explaining the strong performance of Aussie shares.

Chinese investors had a more tepid reaction to the trade news, with the blue-chip CSI300 index finding little impetus to rise further after trade hopes fanned a nearly 2% rise on Friday, despite data showing the country's industrial output growth and retail sales jumped more than expected in November. The CSI300 index was down 0.01% at the midday break. Japan's Nikkei 225 succumbed to some profit-taking, easing 0.05% after surging 2.55% to a 14-month closing high on Friday.

The "phase one" agreement suspended a threatened round of U.S. tariffs on a \$160 billion list of Chinese imports that was scheduled to take effect on Sunday. The United States also agreed to halve the tariff rate, to 7.5%, on \$120 billion worth of Chinese goods. Felsman at CommSec said the deal was a positive factor in the market, but investors awaited further details. The reduction in U.S. tariffs may have also disappointed some investors looking for more aggressive action, he added. "Certainly there were expectations perhaps that the rollback would be more significant than just 50%," he said.

The 17-month-old trade dispute between the world's two largest economies has roiled financial markets and taken a toll on world economic growth. "The announcement is a step in the right direction for the two nations, but does not completely reduce the chances of trade disputes between the two nations in the year," ANZ analysts said in a morning note.

U.S. shares had struck a cautious note on Friday, paring initial gains to end barely higher as weary investors awaited signs of a concrete deal. However, the news of a deal was still enough to send the S&P 500 to a record closing high of 3,168.8, up 0.01%. The Nasdaq Composite added 0.2% to end at 8,734.88, also a record, and the Dow Jones Industrial Average rose 0.01% to 28,135.38.

U.S. Treasury yields moved higher on Monday, reflecting a more positive mood. Benchmark 10-year Treasury notes rose to 1.84% compared with their U.S. close of 1.821% on Friday, and the two-year yield touched 1.6221% compared with a U.S. close of 1.604%. The dollar was slightly higher against the yen at 109.38 and the euro was up 0.12% at \$1.1132. Sterling, which jumped last week after the UK election, gained 0.48% to \$1.3389. The dollar index, which tracks the greenback against a basket of six major rivals, was down 0.11% at 97.067.

Oil prices, which had risen on Friday following the deal, cooled in early Asian trade on Monday. Brent crude shed 0.37% to \$64.98 per barrel, and U.S. West Texas Intermediate crude was down 0.40% at \$59.83 per barrel. Spot gold prices fell 0.06%, with the precious metal trading hands at \$1,474.63 per ounce.

**Source: Thomson Reuters**

## **Domestic Markets**

South Africa's rand was flat against the dollar on Friday, struggling for direction after surprise gains in the face of a darkening growth outlook following a week of nationwide power cuts and ongoing uncertainty over U.S.-China trade talks. At 1530 GMT, the rand was 0.07% firmer at 14.4790 per dollar, hardly budged from the morning's open as investors awaited details of a cabinet decision on how to deal with a crisis at power utility Eskom.

South Africa's government on Friday asked industry for the cheapest and quickest options to ease a power crunch, as cabinet held an emergency meeting to try to resolve a crisis threatening growth in Africa's most industrialised economy.

Eskom, which cut power for a ninth straight day on Friday, is choking under a massive 450 billion rand (\$30.6 billion) debt burden and struggling to meet demand because its creaking coal-fired power stations haven't been maintained properly.

The rand surprised market watchers by racing to a 5-month high in the session, hitting 14.3700 before pulling back, in what some analysts said was a move backed by the high yield on offer, more so after local inflation fell again and the U.S. Federal Reserve held rates.

"The rand rallied sharply overnight in response to a more confident tone on U.S.-China trade negotiations and the UK elections which reduce uncertainty," analysts at ETM said in a note. "Domestically, it is likely that a return to an almost functioning power grid will support sentiment following the return to stage 1 load shedding last night."

On the bourse, stocks soared alongside emerging market shares as reports of a Sino-U.S. trade deal, as well as the prospect of a smooth Brexit, fired risk appetite across the globe. The benchmark JSE Top-40 Index climbed 1.81% to 50,499.02 points while the broader All-Share Index rose 1.78% to 56,815.08 rand.

Financials were the biggest winners on the blue-chip index on the back of a firmer rand. Insurance and specialised finances company Discovery topped the bourse, up 6.13% at 122 rand. Banks followed, with Absa Group up 5.14% to 152.88 rand, and Standard Bank Group rising 4.36% to

169.50 rand. Materials shares acted as a drag as gold prices fell and investors switched to riskier stocks. AngloGold Ashanti was down 5.37%, while Goldfields fell 3.27%.

In the fixed income market, the yield on the benchmark government bond due in 2026 was down 1.5 basis points to 8.32%.

**Source: Thomson Reuters**



## Market Overview

MARKET INDICATORS (Thomson Reuters)		Monday, 16 December 2019			
<b>Money Market TB's</b>		Last close	Difference	Prev close	Current Spot
3 months	↓	7.04	-0.020	7.06	7.05
6 months	↓	7.38	-0.010	7.39	7.46
9 months	↓	7.69	-0.010	7.70	7.70
12 months	⇒	7.75	0.000	7.75	7.82
<b>Nominal Bonds</b>		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	↑	7.38	0.010	7.37	7.38
GC21 (BMK: R2023)	↑	7.38	0.010	7.37	7.38
GC22 (BMK: R2023)	↓	8.19	-0.020	8.21	8.21
GC23 (BMK: R2023)	↓	8.29	-0.020	8.31	8.31
GC24 (BMK: R186)	↓	8.93	-0.030	8.96	8.94
GC25 (BMK: R186)	↓	8.96	-0.030	8.99	8.97
GC27 (BMK: R186)	↓	9.07	-0.030	9.10	9.08
GC30 (BMK: R2030)	↓	10.03	-0.025	10.06	10.04
GC32 (BMK: R213)	↓	10.31	-0.025	10.33	10.31
GC35 (BMK: R209)	↓	10.77	-0.010	10.78	10.79
GC37 (BMK: R2037)	↓	10.96	-0.010	10.97	10.97
GC40 (BMK: R214)	↓	11.31	-0.005	11.31	11.31
GC43 (BMK: R2044)	↓	11.48	-0.015	11.50	11.48
GC45 (BMK: R2044)	↓	11.68	-0.015	11.70	11.68
GC50 (BMK: R2048)	↓	12.00	-0.010	12.01	12.01
<b>Inflation-Linked Bonds</b>		Last close	Difference	Prev close	Current Spot
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>		Last close	Change	Prev close	Current Spot
Gold	↑	1,476	0.42%	1,469	1,477
Platinum	↓	928	-1.69%	944	931
Brent Crude	↑	65.2	1.59%	64.2	65.1
<b>Main Indices</b>		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,335	2.58%	1,302	1,335
JSE All Share	↑	56,749	1.66%	55,824	56,749
SP500	↑	3,169	0.01%	3,169	3,169
FTSE 100	↑	7,353	1.10%	7,273	7,353
Hangseng	↑	27,688	2.57%	26,994	27,596
DAX	↑	13,283	0.46%	13,222	13,283
<b>JSE Sectors</b>		Last close	Change	Prev close	Current Spot
Financials	↑	15,861	3.24%	15,363	15,861
Resources	↑	49,286	0.80%	48,895	49,286
Industrials	↑	67,870	1.79%	66,679	67,870
<b>Forex</b>		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	14.47	-1.38%	14.67	14.52
N\$/Pound	↓	19.28	-0.16%	19.31	19.46
N\$/Euro	↓	16.09	-1.46%	16.33	16.17
US dollar/ Euro	↓	1.112	-0.08%	1.113	1.114
		Namibia		RSA	
<b>Economic data</b>		Latest	Previous	Latest	Previous
Inflation	↓	3.0	3.3	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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